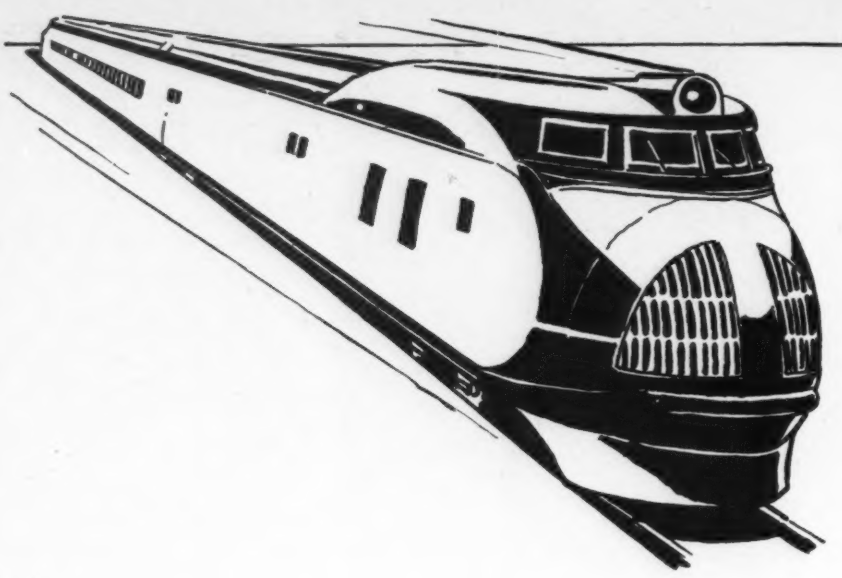
What's wrong with credit men? . . . The Sales Department and collections . . . The challenge of NRA . . . California, here we come! . . . Credit in the codes.

CREDIT
nd FINANCIAL MANAGEMENT

ablished 1898. Vol. 36, No. 4. APRIL, 1934 25c a copy $3.00 a year.



Published on the 5th of each month by the National Association of Credit Men, Erie Avenue, F to G Streets, Philadelphia, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. Subscription price, $3.00 per year, 25c per copy, Canada $3.50; all other countries $4.00 postpaid.

Volume XXXVI, Number 4.

CONTENTS FOR APRIL, 1934

Looking ahead

A special article from England dealing with the English economic position will feature our May issue, in which there will also appear the regular quarterly survey, by W. S. Swingle, of credit and collection conditions in Latin American countries. Other items of interest will be four pages detailing the plans and announcements of the forthcoming 39th annual convention of the N. A. C. M. at Los Angeles which is slated for June 11-15.

We will also be priviledged to publish two articles on the credit situation and its relation to the proposed establishment of 12 regional credit banks to aid industry.

Our cover

One of the surest signs of industrial progress is the status of the steel industry. And the scene on our cover, of an iron puddler at his labors, is one that has been more frequent in the past year than in a number of years. With steel flirting with production figures of 50 per cent of capacity, things must be looking up but not from a flat-on-the-back viewpoint (if we may revive a joke from the past depression). The cover illustration in oils is by Wm. Roscow.

CREDIT and FINANCIAL MANAGEMENT

Published by
NATIONAL ASSOCIATION OF CREDIT MEN

Volume XXXVI Number 4

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What price glory?

When the old maxims, "There is safety in numbers," and "Two minds are better than one" were first enunciated, a democracy such as we enjoy was unknown. There is still good philosophy in these maxims but, if their interpretation be too broad, experience belies their plain intent.

There was a time when the Congress of the United States was reasonable in size, diverse in its personal characteristics, representative of all sections. Its numbers were limited and its business expeditiously handled. Perhaps that is one of the reasons why this country grew and expanded so tremendously. Sound legislation does not make prosperity, but it gives a groundwork for reasonable utilization of underlying fundamentals that are needed for the development of prosperity.

Today the size of Congress is such as to make the assembly resemble a town hall gathering. If there be leadership in the making it must be compromised. Those who introduce good measures must support provincial legislation in order to insure favorable consideration of their own sound legislation.

A great many of our members of Congress are sincere, hard-working individuals, but their opportunities are limited; the body is unwieldy, and a session is flooded with so much legislative material that it is remarkable that more chaff has not found its way into the legal grist mill. With a turnover every two years that would be the envy of any merchandise operator, with the average age at election rather high, little wonder that more is not accomplished. It takes years to know your way around—more years than are usually left after initial election.

It is time that this nation follows a sensible course and pares down its Congressional representatives. When this is done, sound legislation will ensue.

It is also time that representatives be paid a sum sufficient to make the position attractive. A famous student of government once said that in order to have satisfactory statesmen you must pursue one of two methods—pay well or pay nothing. In the first instance you secure a truly representative body. In the latter instance you secure the rich, who assume the job for glory.

While billions are being spent for recovery measures, Congressional representatives are drawing $10,000 a year—less 15 per cent! The truth is that no successful business man can afford to accept the post. Congressional Representatives develop into statesmen when, early in life, they study government and shape its policies and destinies, but a youthful man—or even one of middle age—can not make the sacrifice necessary to accept these positions. Only a professional man like the lawyer sees it as worth-while. He can still secure his income from his profession through the medium of silent partnerships, capitalize later on the publicity through added practice for his firm following Congressional election.

Recently, a Senator informed me that his extra clerk hire exceeded his salary. The net payment to this man for serving his constituents was less than zero.

It would be well to pause and consider the situation in our House of Representatives. Fewer men, adequate wages, will bring better statesmen. The price of the glory of maintaining a large representative body is one that the American people can ill afford.

And while "two minds are better than one," 'tis also true that "too many cooks spoil the broth."

Henry H. Heimann

Executive Manager, National Association of Credit Men

What's wrong with credit men?

"The average honest retailer has very little help from any source so that he may remain a valuable distributor. The attitude of credit men hasn't been most helpful."

by CHARLES BOURGET,
Commonwealth Shoe & Leather Co.,
Whitman, Mass.

What is wrong with credit men? In spite of the good opinion we have of ourselves there must be some things wrong with us and our practices. After all the credit man is in the driver's seat. Many times we put the cart before the horse and the credit man should take the viewpoint that he can and should control the kind of treatment he gets from his customers. We as credit men should not attempt to evade the responsibility that is ours in the present situation.

In a little pamphlet which I received in the mail recently in Boston there are one or two thoughts which I think are very well expressed.

"All men should by this time realize that business is set in the midst of new and strange surroundings with old concepts of business rudely upset. Many objectives of erst-while leaders heretofore accepted are apparently on the way to discard. Should not men of business in all departments stir themselves and grasp the meaning of it all and get a vision of what is before?"

On this I agree only in part. I hold to the philosophy that outside of scientific invention comparatively little is new, excepting the human element that from time to time is injected into business and social life. Often what we consider as new is nothing less than theories and practices which are grasped by those humans who lack comprehension of what they are doing and who lack the ability to stick to fundamentals in their fight to get along. Naturally following this there has eventually to be a day of reckoning and readjustment.

When one studies the life history of the average retail business in this country it is noticeable that thousands have passed out of the picture by reason of their inability to remain competitive and keep abreast of other changing conditions. After all the average retailer when he embarks in business has had no schooling or training and takes advantage of opportunities that arise, without experience, according to his ability. Some acquire from their experience the ability to improve constantly their position so that they can remain in business a comparatively long time, but the big majority rise and fall with the tide of good and bad times as they come and go, with the result that there are a large percentage of liquidations every year, all of which are costly to business as a whole.

How many of us realize that with the way business is conducted in this country, the average honest retailer, trying to do business honorably and with integrity, has very little help from any source to enable him to improve his methods and practices, so that he may remain as a valuable distributor for his manufacturers. The attitude on the part of credit men as a whole hasn't been most helpful.

By putting the horse before the cart perhaps we can bring out some things that would be helpful. To that end let us focus the spotlight of criticism on credit men and see what it brings out.

In bold relief I see the credit man who sits at his desk and interests himself in little else than cold figures and ratios.

I see the man who doesn't know what he should about his own business, about its ramifications in relation to the problems of his dealers with whom he is trying to carry on the policies of his firm.

I see the man who knows little about human nature, who believes only in his pound of flesh, who is selfish, and who, in a tight place, becomes panicky, makes unreasonable demands and often tries to get blood out of stone. Somehow he thinks he can perform such a miracle. I have reference to the manner in which many firms in easy times credulously believed everything that a dealer said, and then, as soon as hard times came, would believe nothing, lacking the ability to visualize the conditions that were upon us and to differentiate between good and bad—to separate the sheep from the goats—and intelligently decide who should get reasonable consideration.

There have been many costly liquidations in the past two years which could have been avoided and, instead, orderly liquidations could have been effected with much less cost to the manufacturer and to the creditor.

I see the man who checked credits with no confidence in human integrity and honesty.

Many don't even seem to know what the word "Credit" means and what it is based on.

All of this I am saying because we at this time should look unto ourselves for what improvement and change can and should be made, to do our part in bringing about orderly reconstruction out of the chaos that exists.

The two suggestions made by the pamphlet I referred to were:

First, the vital necessity for credit consciousness throughout all departments of business.

Second: The vital necessity of evaluating the changes in the present day business under new social and governmental influences and of adapting your business and credit policies to these conditions.

We all have a common interest in what is expected of the new year insofar as our individual firms and our industry are concerned. If you please, allow me for a moment to focus your attention to the high lights of the past 20 years—which are the background for whatever lies ahead.

June 1914. In central Europe—an assassin's bullet—which proved to be the opening shot in a war that involved the civilized world. Soon orders for every kind of materials and goods were pouring into America.

April 1917. America throws its men and money into the conflict and into the lap of industry orders—more orders—"cost plus"—with assured profit—tremendous profits. Into the discard went time proven methods, standards and practices. Prices and costs start a long and rapid upward climb.

1919. Clogged production. Falling demand, resulting in 1920 to 22, showing some hesitation and declines—still in retrospection, not bad times and then —on to the greatest expansion and credit inflation in the history of the new world. Bountiful years—new ideas—new conception of old ideas and practices. Theories and acceptance of economics on new high levels. Gigantic combines operated by super executives through "Remote Control"—Banks—balance sheets and the minds of most people stuffed with paper profits and unearned wealth. A utopia of dreams.

October 1929. Clouds appear which were merely clouds—they would disappear—but which did not disappear.

1930, 1931 and 1932. Then down into the dark depths of despair in nearly 1933. Then realization that the cold, gray dawn was upon us. The desperate effort to recover. Close control operation, and the elimination of waste, again come to the forefront and once more dominate banking and business management, thinking and activity.

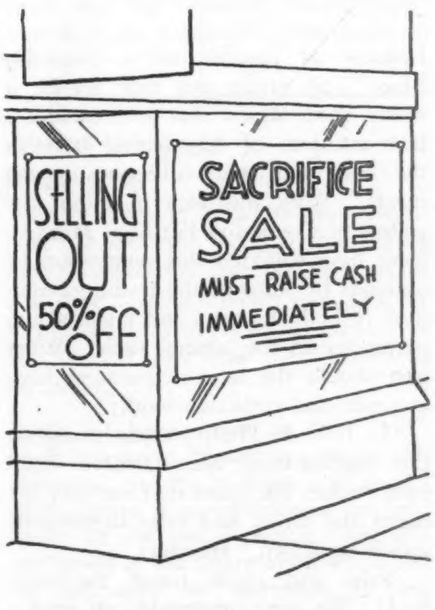
January 1934. Looking ahead to the new year—our vision confused and confounded—gold standard, fluctuations—international credits and many other uncertainties, but with one outstanding problem which concerns each individual charged with responsibility of running a business, large or small. *How can my business make a profit this year?*

Regardless of all else, that is the individual problem and as each one of us solve it for ourselves, we help to solve it for our industry and the country at large.

Fortunately the shoe business, both manufacturing and distributing, is a so-called consumer and not a capital industry. We are not in the unfortunate position of many that are running at from 15 to 30% of capacity. We are not faced with the impossible. Our market in a comparatively large measure still exists. The need for shoes goes on and will continue to do so. It is logical to assume that every business represented here today has a place to fill in his respective community. True—the normal course of business with moderate ups and downs will result in some further elimination, but by and large the majority have a place to fill. You no doubt have analyzed your customers or are in the process of doing so and when you get through you will know pretty well those that are to remain. In doing so we should remember that conditions do not effect all in exactly the same manner but certain fundamentals are essential to survive. Among them are *opportunity, ability* and *capital,* plus *credit.* We should know how these attributes in each individual business have been affected by the strenuous times our customers have gone through.

The first of these—opportunity, ability and capital—you analyze and appraise according to the individual peculiarities of your business and your customers. The plus, which is credit, is going to be more important than ever before. Perhaps you have heard criticism of the markup in shoes and protests against it may have reached you. I wonder how many of us realize the markup on credit.

By way of illustration, here is what happened only recently in a large city. A small depositor in a large bank went into the savings department where he



" . . . the big majority rise and fall with the good and bad times . . . there are a large number of liquidations each year, costly to business."

had an account. Upon inquiring as to what interest the bank was paying he was told $2\frac{1}{2}\%$. Upon asking the further question as to what money would be loaned at he was directed to another department in the bank and informed that loans could be had at 5% secured by Liberty Bonds, the amount of the loan up to 85% or 90% of the par value of the bonds. In another bank in the same city he was likewise offered loans at 5% but with the stipulation that he put up Liberty Bonds at 70% of par value as collateral.

That inquirer has long been a customer of both these banks and most of the time having money on deposit there at little or no interest. When he had borrowed he always met his notes on maturity without renewals. This is an indication of the markup on credit. Compare that to the time when the average dealer could call his banker, tell him he needed a couple of thousand dollars to discount his bills and he would be advised that he could go ahead and send out his checks as his account was being credited—and he could sign the note when he next called at the bank. In other words the old ratios for establishing a safe and reasonable basis for credit have been discarded and a new basis exists, one which I believe is more sound and will prevail. Free and easy and unwarranted credit, after all, contributed to the difficulty of your work.

Banks have been criticized—sometimes unduly so—because of the radical change in their attitude towards retail loans. Their position, however, can be and is understood. Not knowing what morning they would find every depositor on their doorstep demanding every dollar on deposit, banks had to become liquid. It must be said, however, to the credit of retail borrowers, that it has gone down in history with bankers that the liquidation of retail loans is one place bankers could turn to for obtaining funds to place themselves in the necessary liquid position they had to assume. The process, however, put a double burden on manufacturers, who with perhaps more courage than foresight, had to assume the position of banker as well as manufacturer in order to help worthy distributors overcome the burden placed upon them by having to liquidate loans or their inability to procure needed loans. This came too at a time when over the counter sales were diminishing, and collections from accounts receivables were slowing up. My guess is that shoe retailers generally lost around 5% of their net sales in operating their business last year. Their turnover will average somewhere around one and three quarters.

The shoe business as a source of productive wealth, like home cooking, has often been over-rated. Back in 1920 the public took offense at the cost of shoes and the supposed enormous profits contained therein. The government at Washington at that time instigated an investigation that showed the enormous profits to be a myth and hardly sufficient to provide more than a fair return and then only where close, careful and capable management prevailed. All through the bountiful years to 1929 only in exceptional (*Continued on page* 41)

What part should the Sales Department have in credit and collection activity?

A symposium by our readers

Business revival under the New Deal brings many changes in traditional business methods. Study of the codes adopted by various industries reveals a tendency to remove the "bugs" from business to the end that a fair profit may be assured to legitimate commercial effort. One of the important lessons taught by the late depression is that business must be profitable to warrant the effort and that the collection of every dollar due on accounts within a reasonable time from their due date is one of the greatest factors in assuring net profit in business transactions.

"You get the sales; we'll get the cash," has been the attitude between the sales and credit departments in too many business institutions. During the boom years, which now are history, the officials of many concerns took the stand that to obtain business in sufficient quantity to assure a profit, it was necessary to take a chance on credits. The tales of woe told in the bankruptcy courts need not be repeated here as an argument against such policies.

Special terms, secret rebates, unusual allowances, and similar "cuts" became such common practice in many industries that even the sharpest buyer did not know when he had reached bottom on prices. In the paper trade, as an example, the manufacturer came to be looked upon quite as much as a banker for his trade as a producer. Under the paper codes all this is changed and every account must be paid in full in 90 days or be placed upon a black list. The codes of many other industries have introduced innovations on credits and collections with more or less drastic restrictions.

The departments of industrial finance today stand out with a new importance. The slogan "you get the sales; we'll get the cash," is as out of date as a last week's newspaper. The modern slogan is "let's all work together to get as much business as possible on a profitable basis." So under this new set-up, it seems quite logical that we consider a new tradition of relationship between the sales and credit-collection departments. With this idea in mind, the editors of Credit and Financial Management have collected this symposium of opinions by some of the leading executives in both the sales and financial departments on the general topic, "What part shoula the sales department have in credit and collection work?

Mr. I. V. P. Phelan, credit manager, Los Angeles Paper Manufacturers Company, makes the point no clear line between the credit and sales department should be drawn. He says:

"Sales and credit travel the same road! We can't unscramble an omelet but we can use common sense in making it. The great musician is not one who has mastered music. Who can go out and master music? Whoever has? The great musician is he who has been mastered by music.

The great business man in the making may not be the master, but he can be so interested in the welfare of his firm that he puts his whole heart in his job. If he does he forgets that he is the salesmanager, with his special training in psychology, etc., the credit manager, with his technique, his knowledge of human nature, etc., or whatever he is and asks himself "now what would *I* do if this were *my* business?"

"Our solution, to the question asked is that credit responsibility is primarily in the lap of the credit man. If then this is the native child of the credit man, and we assume to be his Mother, we have a right to ask that the Father, the salesman, stay home nights and help bring the lusty infant up to maturity.

"What is credit responsibility? For lack of a better definition, we have chosen to call it attitude. The customer must have some attitude so why not give him a credit attitude, assuming that attitude is a changing quality combination of mind and heart; also taking for granted that our dear buyer friend has the willingness to let us change his attitude.

"Therefore a satisfactory credit attitude would mean that state of mind and heart whereby our money would be paid when, as and where due, an ideal condition. This, we believe, would be credit responsibility properly developed.

"We are thinking here of that nursery story "The Goose and the Golden Egg." Some will choose to chop open the noble breast of the bird and thereby extract the beautiful nugget while others will think it equally wise to gently massage the region controlling the laying proclivities for their results.

"We shall risk our success on the statement that the ability to lay is a perfectly normal, natural, native act of the goose and our part in the little drama is to help, aid and assist the process wherever practical even to the extent of grunting, if necessary, and run for the nest to gather in our beauty, the egg, as soon as we hear the cackle or whatever expression of joy or sorrow goes with laying by a goose. Credit responsibility is credit attitude properly changed."

W. A. MacMullen, of the Oil Well Supply Company of Los Angeles, points to the peculiarities found in each line of business for a reply to the question "What part of a salesman's time should be used in credit and collection work?" In his business, the oil field equipment business, he says the credit man should be as well or better acquainted with the customer as the salesman: He gives his views as follows:

"This subject, "How much of a sales-

man's time should be devoted to credits and collections," has been widely discussed and written about, and each person has a different opinion. These opinions, however, I am sure have been based entirely upon the conditions in the industry with which the writer was most familiar. Therefore, I have come to the conclusion that the only way you can answer the question is by a thorough study of the conditions and peculiarities in your industry. To be sure there are certain fundamentals in credit interlocked in selling but deviations from these fundamentals can only be determined after careful investigation.

"I like to class the salesman as a professional man, with certain inborn qualities plus a certain training to assist in his success. He knows that sales are the most important part of industry and that they must be continuous and steady, and while interested in profitable sales and good credit risks, I believe he has the right to assume that others in his organization are responsible for the profit on his sales and the losses in bad debts. That is why we have credit men and why credits like selling, have been classed as a profession.

"In our company, and I believe this to be true with other supply companies, our salesmen furnish us with an advance credit information form on all new prospects. This is filled out as completely as possible and from this, together with a small amount of investigation, we can readily determine whether or not a credit account is desirable and if further investigation is justified. We then attempt a personal interview between the credit man and the prospect and after that nearly all credit arrangements are handled directly between the Credit Department and the customer with the salesman occasionally entering into the negotiations. In our industry the credit man in many cases is as well acquainted with the customer as the salesman, not because he doesn't pay his bills but because of the peculiarities in the business."

Mr. W. G. Wilhelm, credit manager for one of the larger wholesale hardware houses on the Pacific, the Union Hardware & Metal Company of Los Angeles, thinks the salesman should have at least part of the burden of credit losses, even to the point of having some of these losses charged against his commission account. Mr. Wilhelm says:

"Personally, I am very much in favor of charging up a reasonable percentage of the credit loss to the salesman. As a basis for this statement, a jobber pays a salesman to represent him on the territory for one purpose only—selling merchandise at a profit. The profit is only derived by the jobber after the invoices are paid. If the invoices are not paid and the jobber suffers a credit loss, he is out of pocket and selling expense, at least, for the salesman who made the transaction, both time and traveling expense and the salesman should therefore bear his reasonable percentage of the loss.

Illustrations from Continental Casualty Co.

Almost too good to be true!

Every once in a while we receive "odd" letters sent in by readers which they have received from debtors. Here is a prize specimen which is relayed by E. E. Barbee, Manager of the Oklahoma Wholesale Credit Men's Association at Oklahoma City.

Mr. E E baree dear sir
i will indever to fill out your blank with pleasure. yet my business is so small i dont supose it would interest you so i desier to rite you a person reply also you spoke of the information would not be hexposed or detrmenl to my buisness. i no what you mean. but i wish to say i aint one bit a fraid for the world to see the references i give. i come from the old referent danial boon blood hoose oner stood when the savage indian fell & mine will stand when my pocket book will fall. & when the eagle & storkes failes to fly over the deep waters & when the ges failes to no theire cose from north to the south. & when gabrel blows his trumpet & Crist calls up the deat from all the nations of the world. where theire will be too clases i want to be among the onerable class in regard to my fintial standing i have bin in Okla before State hood. i dont ow one dolar to no man thats why i do not to give references. i own my little store & all that is in it & poltra yard & derie cow & two yerlines i could sell a grate deal more grocries if i had the capital to by with. also could hanel dry doodes. but i fear credit so i will fill out the blank will references rite in person hoo nose me 31 yars. if you desier aney more references send another blank

"One of the greatest advantages to be gained from adopting a plan such as this is the fact that it will make your salesman a better business man and broaden his education to the extent that he will find out pertinent facts in regard to the financial responsibility of his customer. Too many salesmen are only interested in getting the order through the credit department, at which time they feel all their responsibility ceases, and if there is any one thing that can be done to bring a salesman close to the dealer, it is for him to discuss financial matters in a confidential way.

"If a salesman knows that if his dealer fails and it is going to cost him some money, he is going to watch all corners, not try and over-sell the dealer; check up with him in regard to whether he is collecting in his own accounts receivable; whether his overhead expenses are out of proportion to his sales, and, in fact, take a general interest in the welfare of the business, which, in turn, will result in increased sales for him."

David F. Austin, Manager of Sales of the Carnegie Steel Co., Illinois Steel Co., and Tennessee Coal and Iron and Railroad Co. of Pittsburgh, Pa., advances the idea that every salesman should have a certain period of schooling in the operation of the credit department before he makes his first trip on the road. Mr. Austin also makes the point that through proper cooperation between the credit and sales departments it is possible to broaden the selling field of practically every company. Mr. Austin's ideas for this symposium on the relation between sales and credits follows:

"I am afraid it is still true in many organizations that sales representatives consider an order at hand, with the proper signature affixed, consummates a transaction. Comparatively few of those who comprise selling forces regard this matter in its true light. Actually, the sale to my mind is only partially complete.

"Preliminary contracts, which are obviously essential, con- (*Cont. on p.* 32)

The challenge of NRA

"Without raising prices, can wages be raised without endangering the industrial structure? For the moment, the problem is industry's. It is NRA's challenge. The answer must and will be made—soon."

by HENRY H. HEIMANN, Executive Manager, N. A. C. M.

Will the Industrial Recovery Act succeed? There are two objectives to this Act—stimulation of industry and expansion of purchasing power to consumers. Let us consider both of these.

The first objective—priming of the industrial pump by artificial stimulus—developed a wave of re-employment which, whether continued or not, at least temporarily pulled us out of a critical situation. Anything that broke the vicious grip of unemployment was in itself a success, for it gave new hope, new courage, new confidence to the American people. From a high point in March, 1933, unemployment fell from 15,000,000 to 10,000,000 at the year's end, according to reliable estimates.

The American Federation of Labor early this year estimated that 1,000,800 people were re-absorbed in industry during 1933, people who had been out of work at the beginning of that year. Besides that, about 4,000,000 were given temporary employment through the PWA, CWA, and the CCC, though it is hard to consider these make-work jobs under the heading of re-employment.

Re-employment of 5,000,000 or 6,000,000 men in any form is assuring, of course, in its temporary aspect. But, according to figures by one of our prominent economists, we find that in March, 1933, production had slumped to 56 (using 1923-1925 equal to 100), and unemployment had followed production down to a level of 57. Then came threat of inflation and an effort to restock inventories before NRA codes came into effect. The Spring upturn sent production figures rocketing. By June they had reached 92—almost back to the 1923-1925 level.

But employment had risen only to 65.

Those figures are extremely significant. They reveal technological unemployment. Last Spring's upturn was the most rapid, from the standpoint of industrial production, of any in our history. Yet we made no great dent in the unemployment problem. In 1923-1925, 100 men produced 100 units; in June, 1933, 65 men produced 92 units. The answer lies in the continued mechanization of industry. And that is a problem still unanswered. 10,000,000 men, the fifth of the country's wage earners, were not re-employed. Until they are re-employed, they will be a financial burden on the community, regardless of whether we take care of these men through local relief or by a national system such as the CWA. The second objective of the National Industrial Recovery Act was the increase of purchasing power, as expressed in units of goods. With over-production causing tremendous surpluses, it is evident that consumers had to be able to purchase more, or production would have to be generously curtailed.

Following the adoption of the NRA codes, there was an increase in wages. Prices, however, in many instances advanced even beyond the cost arising out of added labor and added material charges. Such a restriction restricts purchasing power.

In 1929 the national income per head of the population was $683.00. In 1933 it was $316.00—less than half. If we interpret these figures by the number of gainful workers, including the unemployed, the national income in 1929 was $1,719 per head. In 1933, it was $795.00.

Let us look at the cost of living. The United States Bureau of Labor Statistics' figures issued for June and December of various years and based on the average family budget for food, clothing, rent, fuel and light, and household articles in 32 well scattered cities reveal that the cost of living, using 1913 equal to 100, rose from 132.1 in December, 1932, to 135 in December, 1933. If we check these figures with those of the National Industrial Conference Board, we see the corresponding similarity. The NICB figures reveal a cost of living 2.9 per cent higher in December, 1933, than in December, 1932.

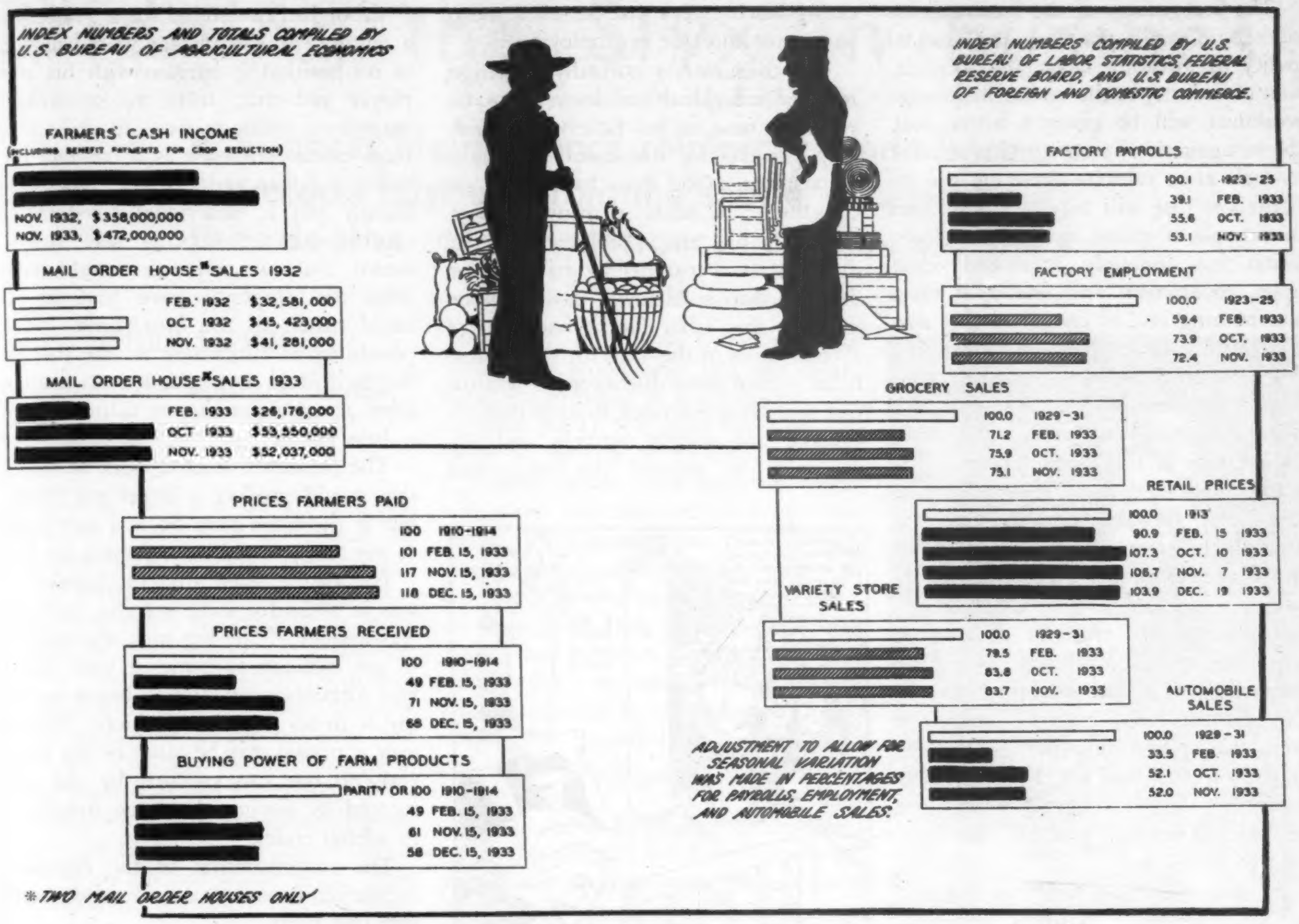
If wages go upward, parallel, or ahead of the cost of living, there is little suffering. What is the record for wages?

In its year-end statement, the American Federation of Labor declares that the lowest wage groups have gained, but that the average-wage and the high-wage groups have been forced to a lower living standard.

"Hourly wage rates" the Federation points out "average higher by five and a half cents per hour, but in many cases, this is not enough to compensate for shorter hours; and in no case, is it enough to compensate for higher prices. In our sixteen chief producing and distributing industries, workers' income averaged $20.53 a week in November, 1932, and $20.56 in November, 1933. Meanwhile food prices rose seven per cent and clothing and furnishings are higher by 21 per cent. Millions who got jobs during the year are better off, but those who had jobs at more than a minimum wage have lost ground.

"Mass buying power has gained during the year, partly from re-employment and industry and partly from jobs created by the Government through PWA and CWA. Income of all workers in industry is 11.7 per cent higher this year-end than last, a gain of about $243,000,000 a month."

Let us take an illustration and see how code applications may affect a consumer's purchasing power. Before NRA codes came into effect our Mr. Smith worked eight hours a day, six days a week. He manufactured let us say, four units a day, twenty-four units a week. His wage, we set at 30 cents an hour.



How far farmers and factory workers have gone under the "New Deal." Reproduced from "Consumers' Guide," AAA, January 12, 1934.

Thus, he earns $14.40 a week and manufacturers twenty-four units.

Let us establish a unit cost. The labor amounts to 60 cents. Setting up unit charges of 30 cents for overhead, 30 cents for materials and 30 cents as gross profit, we have a unit cost of $1.50.

Thus, our worker can purchase 9.6 units of his product from his wage each week.

The factory in which he works, employs 99 men beside him. These 100 men in one forty-eight hour week can manufacture 2400 units. Turning their total salary into purchases of these units they can assimilate 960 units. Now that we have established their purchasing power, let us take the same illustration after NRA code applications are in effect.

Smith is put on a forty-hour-a-week basis and his wage is raised to 40 cents an hour. Assuming that his productive capacity remains the same, he now manufactures twenty units in a week for which he receives $16.00. But the factory, if it is to maintain its output of 2400 units per week must employ 120 men. Then 120 men working forty hours per week can manufacture 2400 units but the payroll has jumped from $1,440, for manufacturing 2400 units, to $1,920.

Now let us see what the added labor cost will do to the selling price of a unit. Labor will amount to 80 cents. Assuming that overhead and profit remain the same at 30 cents per unit each, we must allow increases in the cost of materials. If we allow the material cost to total 50 cents, we develop a total price of $1.90 per unit.

After the NRA codes are in application, Smith can purchase approximately eight units. His individual purchasing power has fallen about one and one-half units.

But through lower working hours, he and his fellow workers have allowed the re-employment of twenty men in their factory, and through this increase in wages he and his mates have made it possible to raise the mass purchasing power of the factory employees to 1,010 units.

Thus, you see, there are increased labor rewards, both in hourly wages and in hours of labor, and there is increased employment. But *there is not increased purchasing power per individual* even though we have been very conservative and have not increased the overhead or the profit factors in estimating our unit costs. Were the profit factor or the overhead charges increased, there would be a corresponding decrease in individual purchasing power. And the slightly increased mass purchasing power of that factory would also fall. Instead of being favorable, it would now be unfavorable except from the point that these 120 men were now at work instead of 100 as before.

But the implications point, not to a recovery in employment in such a case, rather to a form of the share-the-work movement which proved impractical in the early years of the depression.

There is considerable evidence at hand that unjustifiable price increases have been rather prevalent. Unemployment can be the only result of a policy so selfish. But in any event there are certain gains from this NRA legislation that cannot be taken away. (*Cont. on p.* 12)

The recognition of the foolhardiness of certain trade practices, the suicidal policy of sweating labor, the socialization of industry to the extent the average workman will be given a better deal, the recognition of certain rights to labor as well as to capital—these are the inheritances that will survive. The need of the rule of reason in Anti-trust legislation has indelibly impressed itself upon government and finally, if there was nothing else to commend this new experiment, the abolition of child labor—wherein tiny tots were forced to stand at the loom or the machine for long hours when God ordained that they should play at the threshold or in the school yard—is a great accomplishment and a step forward in civilization that even all the errors of industry, of labor and of the consumers' groups can hardly offset.

Today we are engaged in a great series of economic readjustments and the interpretations placed upon the aims and the gains of NRA must be looked on with that point in mind. The appraisals of the National Industrial Recovery Act since this legislation was first enacted has been as varied as the individual appraisers.

At first, this legislation was accepted by all factions. Business interests, labor and the consumer groups, in the dark and dreary days of the early Spring, eagerly clutched at it as a last hope for recovery. This is easily understood. With the nation facing a banking collapse, with agriculture prostrate for over a decade, with industry facing bankruptcy, with the army of unemployed exceeding 10,000,000, and with hunger and misery throughout the land, anything that had the semblance of a restorative needed little salesmanship.

And the electrifying manner with which the President inspired the people with his inaugural address immediately developed a measure of buoyancy and hopefulness among our people, who apparently were about ready to abandon all to the inevitable and stolidly await the crash.

Soon the machinery of the National Recovery Administration was organized. It was hailed as a general panacea.

Industry, seemingly, felt it would insure earnings irrespective of efficiency. From that hallucination industry is now slowly emerging. Labor saw a golden opportunity of complete unionization; a labor ideal that lingers still in the minds of certain labor groups. The consumer, somehow, joined the parade, not knowing whither he was drifting and not caring much except that he felt it meant an opportunity for re-employment.

The consumer is normally a benign, reserved individual and doesn't look beyond the nose on his face, which probably accounts for the reason that he is a consumer. God must have loved the consumers; he made so many of them.

Hardly had the machinery been set up, and the personnel to man it been drafted, than suddenly it dawned upon industry that labor had a handicap of several yards in this race for the millennium. Even more disconcerting was the fact that labor intended to keep this advantage and sought actively and aggressively to expand its forces and

Courtesy, New York Herald Tribune, Inc.

launch a promotional unionization plan that would have done credit to the greatest sales manager who ever graced the swivel chair of a promotional land boom office.

Industry immediately became alarmed and felt here was something it had not bargained for. Each group was looking at the Act through its own glasses and, for some reason or other, could not see that it should not expect certain advantages without certain contributions. The "mutuality" of the Act, as to benefits, was scarcely recognized.

Industry had been pleading for over a decade to be allowed to run its own affairs, to be spared the cruel torture of the vicious lash of the Sherman Anti-Trust Law and to be able to do considerable chastising, within its own group, of those since labelled as "the chiselers." Industry was happy when its dream was about to be realized, but didn't recognize that, in its realization, certain things had to be yielded to labor.

Labor had contended for a quarter of a century that the average workman was in no position to bargain with his employer and that, therefore, individual bargaining contracts were about as free from undue influence as a contract between a father and his son. As labor bluntly put it, individual freedom of contract for the laboring man simply meant that an employee would take what the employer gave him or he could march to the bread-lines. Any possibility of bargaining on the part of the individual employee was as remote from actual experience as Gandhi from a dress parade.

The consumer wanted work at wages that would produce a larger pay check, but at the same time he was unwilling to pay an increased price for his needs.

For awhile, even after the legislation was in effect for some months, industry was hesitant. The big stick was needed to get industry to come in with codes and Administrator Johnson began wielding it in no uncertain fashion. Whatever appraisal may be made of the General, no one can say that he did not succeed in getting the large industries to submit codes.

The administration of the National Industrial Recovery Act divided itself into two parts.

First, there was the general salesmanship necessary to get industry and labor to accept the Act and to seek sincerely to come in with the legislation. This salesmanship required high pressure work. It required personality. It was somewhat of the theatrical press agent, specialty salesman type of job. The General was a specialty salesman par excellence. With dead cats and tin cans, with Blue Eagles and Hawks, with his eenie, meenie, meinee, mo, he epitaphed industry until he had it dizzy and compliant. No evangelist ever did better work.

The second part of the task was the administration of the Act. The General was not so good at hitting the bull's eye in this. But, after all, is it possible to have a specialty salesman with his high pressure tactics endowed with faculties and qualities that would make him general manager of the organization? If he had the latter qualities, wouldn't he be a failure as a specialty salesman? If he had all the ballyhoo tricks and arts up his sleeve, could he ever be conservative enough to be an administration executive?

Perhaps it was an error that the task in its inception was not divided into two parts.

After the Act had been in effect several months, labor (*Cont. on p.* 35)

Bridging the Styx in business

Business life insurance reinforces credit because it protects business from the shocks occasioned by the deaths of its officers or its partners.

by H. HENRY SEEFURTH,
President, The Seefurth Service,
Chicago, Ill.

During the last decade life insurance has begun to assume an importance to close corporations, partnerships and sole proprietorships comparable to the progress made during the preceding decade in the use of life insurance for family protection. In other words, business life insurance is coming to mean to business what personal life insurance has come to mean to the individual and his family.

This development should be of great interest to credit men because business life insurance means better credit. This is revealed in a number of different ways. The mere fact that a life insurance company will issue a policy of insurance on the life of an officer of a corporation or a partner is evidence that the insured has passed inspection, physical, moral and financial. It is clear that an individual who is able to get life insurance is a better credit risk on the average than the person who is not able to pass muster or who can not see the benefits.

A second important factor to the credit man is the evidence of caution and thrift shown when a business insures the lives of those who are responsible for its continued success and credit. If the insurance is on a permanent plan the increasing cash values are a constant source of financial strength in addition to the ordinary surplus. In times of stress the cash value may often prove the only substantial asset upon which cash may be realized. At least this was the experience of many during the gloomiest days of the depression when the ordinary avenues of credit were practically closed.

But, valuable as business life insurance is during the lifetime of the insured, it is often of supreme importance at the death of the insured. It is important to the business, its creditors, the estate of the deceased and the surviving owners. In fact the importance of a "key man" of a close corporation has become so pronounced that the courts have recognized it in a substantial way. Recently the U. S. Circuit Court of Appeals, in the case of Newell and Clark v. Commissioner, held that a corporation need not add the difference between the matured value of a life insurance policy and the cash value (at the death of the insured) to its assets in valuing the stock of the deceased for estate tax purposes because the cash which the corporation received was counterbalanced by the loss which the corporation sustained by reason of the loss of the services and management of the deceased.

Credit men are not only interested in good credit risks, which result when a business is properly managed and when the management is insured, but they are also interested in not having corporations, partnerships and proprietorships dissolved on account of the death of one of the principals, as was so often the case before business life insurance came to be recognized as a means of avoiding it.

The surplus of the average business can not ordinarily be used to buy the interest from the estate. The survivors themselves, particularly in these days, do not have the personal means to pay nor are they able or willing to borrow the funds. So, in the absence of any solution to the problem, the business might disintegrate through the friction and antagonism created on account of the opposing interests—the survivors on the one hand and the estate on the other.

That is just where business life insurance steps into the picture. Death creates the situation where the money is needed. Death also matures the contract under which the money is paid. A little out of income each year guarantees that the necessary capital will be available. The problem is very simply solved by an agreement among the stockholders or partners providing for the insurance and providing further that at the death of one of them the insurance will be turned over to the estate and the stock or partnership interest to the survivors.

Charon's voyage across the fabled river need not mean the termination of the business affairs of a going concern because of an officer's or partner's death.

In businesses where there is only one principal owner or where it is desired to leave the interest with the estate of a deceased for some special reason, the insurance can be used to buttress the cash surplus of the business and thus be some measure of protection to those who continue as managers and owners. The money may be used to retire preferred stock or bonds, to pay off notes or other indebtedness.

Business insurance properly bought and properly distributed will protect a business from most of the shocks occasioned by the deaths of officers or partners. Naturally a business must have competent management, but, aside from that factor, business insurance will do more to insure the stability of a business and its continuance despite the shocks of death than any other thing.

As simple as A-B-C

is this card system, chosen primarily for its simplicity, adaptability and proven usefulness to both medium-sized and large companies.

by H. P. PRESTON, Office Management Consultant

Progress seems to be a continual simplification of complex ideas. The first automobile, typewriter, aeroplane, electric refrigerator was complex and—compared with today's productions—clumsy. When the idea of systematic office management first gained headway there was an enormous clutter of charts, sub-charts and counter-charts. Reference to standard works of twenty years ago almost bewilders one with their imposing array of paraphernalia and "system."

Because of the complexities that were committed in its name, the very word "system" came to have a harsh sound in men's ears and to convey the erroneous meaning of complication. Whereas the true meaning of system, as given by the Standard Dictionary, is "orderly combination or arrangement, as of parts or elements, into a whole; specifically, such combinations according to some rational principle."

In other words, system is simply the organization of routine work so that it can be carried out as effortlessly and accurately as possible. A system should be like a good habit—something that automatically cares for details and permits one's mind to attend to more important matters.

The credit executive, constantly called upon for important decisions affecting the life blood of his business, must have some method for quickly and accurately securing adequate facts upon which to base his judgment. Such a method should be as simple as possible consistent with furnishing full information; it should be reasonably compact; it should be designed for rapid reference.

The visible card index system described herein meets all of these requirements. I have chosen it primarily because of its simplicity and adaptability to many types of business and its proven usefulness for both medium-sized houses and the largest corporations. One of the requirements of any effective system is that it can be easily operated by an assistant. Because of its simplicity the details of this system can be carried out by any girl of average intelligence. Yet it offers complete data on every account.

The basis of the present system is the 4 x 6 card shown in the illustration. At a glance the record shows *Name and Address* of account, various ratings, credit limit allowed. When an order is received for credit authorization, the date and amount are entered in the proper columns. Payments are entered, by a symbol, in the *How Paid* column. The accompanying illustration uses the following symbols: D—Discounted: M—Maturity; 14—14 days after maturity: and the special transaction is described in the *Remarks* column. Naturally, other symbols may be used. Some companies make entries of payments after maturity, and all special arrangements such as Notes, in a different colored ink so that these unusual terms stand out even more sharply.

A single glance at this card instantly shows the amounts open on current account and the customer's paying habits in the past. Over a period of time, this record becomes even more valuable, immediately indicating seasonal or other irregularities in meeting obligations and definitely showing the trend of an account—whether on an even keel, lapsing into slowness, or forging ahead to a more prompt basis. A brightly contrasting ink, used to indicate delayed payments serves as a warning signal. When collection effort is necessary, the letter C—in red or green ink—is written in the *How Paid* column to indicate collection efforts under way. When these have been terminated, a brief notation in the *Remarks* column tells of the final disposition of the matter.

In the upper right hand corner is a space marked *Routing*. This is not necessarily a function of the Credit Department but it has been found, by experience, that this little extra check has saved both time and money. First orders almost invariably contain definite shipping instructions. In time, however, buyers believe their desires are so well known that specific notations are needless. Confusion sometimes results. When the Credit Department has before it a permanent notation as to the routing of orders it can, without loss of time, check this feature on orders received. By so doing, it narrows the possibility of this factor being overlooked or misinterpreted elsewhere.

If it is desired to have the credit record co-ordinated with sales records for later statistical analysis or cooperative action, the *Remarks* column can be effectively used. For example, an order is received on June 5th for items X, Y, Z. Under *Remarks* an entry is made X, Y, Z, with, if desired, a numerical symbol to indicate quantity, such as 1X, 2Y, 3Z. Further orders are entered in the same way. In running through the cards in October, the Credit Manager notices that no subsequent orders have been received for item Z. A memo to the Sales Manager may disclose that salesmen have not been pushing this item with proper energy to this particular account.

A glance may also show regular orders in petty amounts from a house that uses large quantities of the item in question. This condition may be due to sales neglect or other factors. It may show up the fact that certain customers are really unprofitable because of their piece-meal buying and the overhead it entails. After fully investigating this state of affairs, many progressive houses have dropped such accounts from their books. Of course, this credit record immediately shows when there has been an unusually long time between orders.

It is not meant to suggest that the

Credit Department should abrogate to itself the functions of the Sales Division or that Credit Records should take the place of sales data. The instances cited, all of which a standard practice with many of our most progressive concerns, are types of cooperation between credit and sales departments, which have helped develop a good volume of healthy business. The suggestions are not intended especially for literal adoption but are indications of the wide adaptability of this relatively simple record card and the amount of data that can be kept thereon in small space.

While this system can be maintained in ordinary card index files, with alphabetical guides, it is far more satisfactory used as a visible index in cabinets of popular manufacture. Visibility avoids the need for "digging out" information, thus saving time. It cuts down the possibilities for mis-filing and makes "lost" records almost an impossibility. A visible system offers an opportunity for getting a quick bird's-eye view of all accounts that is impossible with non-visible equipment.

In the type of file cabinet illustrated, 10 cards are fully visible with a lift of an inch or so. Alphabetical filing guides segregate each group of cards for easy location. The removable of any card is a simple matter of lifting it from the file; replacing a card simply means dropping it in an empty pocket which shows plainly. There are no gadgets or attachments to be adjusted and the file can, therefore, be used quickly by anyone.

Compactness is a feature of this system which commends itself when there are many accounts or space is limited. 4,000 cards can be easily housed in a cabinet occupying only two and a half square feet of floor space. 800 cards can be housed in a cabinet that can be conveniently kept on the top of one's desk, or on a small stand beside the desk.

When a card is removed from the file its absence shows up as plainly as a missing front tooth. Mistakes in refiling are difficult to make. While, for temporary use in making entries no memorandum is needed, any longer absence from the file should be explained. There are special forms made for the purpose of replacing missing cards. While excellent, I believe them needless in many cases.

A very experienced systems record man some years ago developed the idea of using simple pieces of light weight cardboard or fairly stiff paper, cut to about 1¼ inches wide by 4⅜ inches long, with rounded corners. These can be made from any scrap or waste paper around the office—since they are merely for temporary use. When a card is removed from the file for retention, one of these slips is initialed or signed, the date noted, and the slip is placed upright in the empty pocket. When the file card is returned the temporary slip is destroyed. Simple, cheap, effective.

Next month

we are planning to present a second article along similar lines by Mr. Preston. We are interested in our readers' reactions and would welcome a discussion of systems in use by our readers. Why not send us word about your system?

I think these three adjectives may equally apply to the entire system I have outlined. Lacking in elaborate pretensions, it performs its duty of quickly furnishing accurate information. It is highly adaptable to many varied individual needs. If, for instance, you use colored signal tabs for denoting certain conditions—such as Collection Efforts, Past Due, etc.—you can use them with this system. The system is capable of easy expansion, unit by unit. It offers flexibility in that, if desired, accounts can be grouped and the files placed right beside the individuals responsible for checking them. Because of the speediness with which references can be made, one assistant can handle a large number of accounts. In some instances, one operator handles as many as 24,000 accounts, housed in a single unit combining files and working desk. Since individual name reference is only a matter of seconds, there is no loss of efficiency even when there are so many accounts. On the other hand, I believe the system, as a whole, sufficiently worthwhile to justify its installation if there are only 400 accounts—which can be housed in a desk cabinet slightly larger than an ordinary card index file.

I can almost hear some readers ask "Do you think this is the *best* system?" I have answered this question for many years by pointing out that there is no absolute *best*. It is a matter of getting that which is most appropriate to your needs. But, if you ask if I think this is a *good* system, I answer emphatically *yes*. It is practical and concise. It serves many organizations in all fields. One internationally known corporation has used this system for more than ten years with the utmost satisfaction. Which is a better recommendation of its merits than any words of mine.

Reproduction of the file card mentioned by the author.

NAME CITY STATE

LOCAL ADDRESS PHONE

REPORTS CREDIT INTERCHANGE SPEC. CREDIT LIMIT

REMARKS ROUTING

DATE OF ORDER	AMT.	HOW PAID	REMARKS	DATE OF ORDER	AMT.	HOW PAID	REMARKS	DATE OF ORDER	AMT.	HOW PAID	REMARKS

CREDIT RECORD

California, here we come!

The N. A. C. M. turns its eyes to the West, in general, and Los Angeles, in particular, where from June 11–15 will be held our 39th annual convention.

by BRACE BENNITT,
Convention Director.

Anyone who ever attended a National Convention in the West will never forget it—or miss the next one! Denver 1908—Salt Lake 1915—San Francisco 1921—Seattle 1928—and now LOS ANGELES 1934, the week of June 11th to 15th.

The Los Angeles Credit Men's Association—second largest in the West and fifth largest nationally—will be host to our 39th Annual Convention and 4th Credit Congress of Industry. Cooperating with Los Angeles will be the other Western Associations—particularly those in California—so it will be not only a Los Angeles Convention but a California and a Western Convention. True hosts just naturally grow out that way and they seem to be able to combine hospitality with business in a way that augurs well for the best convention you ever attended.

The Los Angeles folks are all organized and have been at convention work for some time. Their leader, J. M. Rust, Treasurer, Union Oil Co. and Vice President of the National Association of Credit Men, will be Convention Chairman. A. A. Normandin, President of Normandin Bros. and President, Los Angeles Credit Men's Association, is Vice Chairman. Past Presidents of LACMA, Ralph Meyer and Wed Clarke—regular "conventioners" whom many of you know—will head the important Entertainment and Program Committees respectively. Other appointments have been made and a complete roster of our official hosts will be out later. "Vane" Chase, Los Angeles Manager, and Owen Dibbern, Western Division Manager, are two active workers in every phase of Los Angeles preparations for you.

One of our major preparatory efforts has again been successful this year—namely, care to house the convention under one roof. It provides an intimacy, a convenience and an accommodation for those attending that is not possible when scattered in several hostelries. Arrangements have been made with the Los Angeles Biltmore not only to be Official Convention

Headquarters, but also to provide ample reservations to take care of all of our crowd. Their ballroom will be ultilized for Convention Sessions, its Foyer for the Business Show and NACM Exhibit—plenty of rooms of all sizes for the Credit Congress, provisions for all special dinners, sectional meetings, group banquets, etc. And to top all this, the rates both as to rooms and meals are most reasonable. The Biltmore management is most cooperative and particularly assures us of prompt attention to advance reservations and of prompt assignment to rooms on arrival.

The Convention program is of course in the formative stage. It is too early to have definite commitments of those in Washington whom we are after. Suffice it to say they will measure up to our previous programs. An outstanding member of the legal fraternity—a nationally known figure in the trade association field—a leader in the banking field—a successful industrialist—are a few of the classifications on our present list. The program, as has been the practice of late years, won't be crowded. Limited number of speakers with time to cover the subjects properly and time left over for delegates to have some time to themselves is going to be the order of the day at Los Angeles. Plenty of time at the lunch hour and plenty of time between the afternoon session and the evening functions.

The Ladies! No convention plans are complete without thorough provision for the credit women and the lady guests. The Hostess Committee and The Credit Women's Committee are already formed and at work. Bring the ladies? Of course!

The Credit Congress of Industry is again in the capable hands of Phil J. Gray, Manager of the Chicago office of the NACM, and he is already at the huge job of developing this big program, getting proper chairmen, scheduling the group sessions, etc. Each year the attendance at the Credit Congress of Industry has grown and we believe this day at Los Angeles will follow this trend. Probably the industry groups will meet on Thursday, June 14th, inasmuch as a whole "day off" is contemplated for Wednesday.

The entertainment features are still in the formative stage. Besides the Los Angeles folks have not given us permission to release all they have in store for you! It isn't hard to guess that with all the wealth of material in Southern California, they will have plenty and plenty fine! Especially the "Day Off" on Wednesday, and the special entertainment features for the ladies.

Transportation costs to the Convention will be at a minimum as the very low summer excursion rates to the coast will be in effect at that time. Coupled with the low railroad fare, it is believed there will be Pullman reductions on the western lines. All railroads have been most helpful in arranging the most economical trip possible.

Special tours are already being planned from the associations located in the larger centers. Chicago—always one of the leaders in this part of the convention plans—is already out with the notice of their All-Expense-Convention-

Vacation Trip, at an entire cost as low as $150.00 for everything except meals in Los Angeles. All associations near Chicago should "climb aboard."

It is entirely appreciated that a convention on the Coast is going to exceed in expense a convention at a more central point but consider the Chicago trip, the very nominal hotel costs arranged, the low summer excursion rates to the West, and what more profitable vacation and convention could you have? And, in addition, our folks in the West trek East year after year with much expenditure of time and money. It is their due that we go to see them.

Many of the Western Associations are planning and want to be hosts to the delegates en route from the Convention. Because the Convention starts a little earlier this year it is felt that most of those attending will want to go direct to Los Angeles and take the rest of their vacation trip afterwards, going perhaps up the coast and then back East. All the Associations will want to see you.

The National Association of Credit Men has built a tradition for fine, well-attended annual meetings and particularly in the last few years it has carried on in this really necessary phase of association work, when so many organizations have "temporarily" postponed their conventions. When we meet in Los Angeles, the number in attendance and the spirit and enthusiasm of our week there will be an accurate barometer of our year's progress, and our own individual yardstick of what each of us believes will enable him more efficiently to practice his profession.

The ideal annual meeting of those having a common bond of interest is a combination of the opportunities to learn and to enjoy. It is an annual rebuilding of mind, body and spirit. You will have more knowledge, more vision, more health, and more friends after that June week in Los Angeles.

Officers of the National Association of Credit Men who will take leading parts in the working of its 39th annual meeting: President ERNEST I. KILCUP, Davol Rubber Co., Providence, R. I., (above); Vice President P. M. MILLIANS, Ernest L. Rhodes Co., Inc., Atlanta, Ga., (lower left); Vice President F. J. HOPKINS, Janney-Semple-Hill & Co., Minneapolis, Minn., (lower center); Vice President J. M. RUST, Union Oil Co., Los Angeles, Cal., (lower right).

Credit in the codes

A compilation of credit provisions in NRA industrial codes. Being a continuation of approved codes first presented in our January and February issues.

Academic Costume Industry: Code authority to use such trade associations or other agencies as necessary to carry out code activities and to make recommendations for fair trade practices. Usual unfair practices also included.

Advertising Display Installation Trade: Usual unfair practices. Compliance with prices, terms, filed with code authority.

Advertising Distributing Trade: Code authority to make such rules and regulations as necessary and gather necessary data. Usual unfair trade practices prohibited.

Alloy Casting Industry: Usual unfair trade practices prohibited. Maximum terms and discounts specified.

Animal Soft Hair Industry: Industry members to file schedule of prices and discounts with code authority, together with revisions made from time to time, to become immediately effective upon filing. Discontinued, obsolete or distressed merchandise sold upon special terms and conditions upon approval by code authority. Usual unfair trade practices.

Athletic Goods Mfg. Industry: Previously reported as a proposed code. Credit items substantially the same in code approved February 2nd.

Band Instrument Mfg. Industry: Usual unfair trade practices.

Beauty and Barber Shop Mechanical Equipment Mfg. Industry: Open price plan in effect. Regulation of return goods. Allowance on second-hand equipment determined by code authority.

Bedding Mfg. Industry: Usual unfair trade practices. No free goods. Regulation of returns and allowances specified as well as terms and discounts. Anticipatory interest prohibited. No rebates, post-dating, redating, etc.

Candle Mfg. Industry and the Beeswax Bleachers and Refiners Industry: Unfair trade practices consist of unjustified threat of proceedings, allowances of rebates, commissions, unearned discounts, excessive allowances, etc.; no consignment sale, no cancellation of contracts without proper consideration being paid. Definite specified maximum term of sale and discount for both Candle and Beeswax industries. No sale of "seconds". Candleman terms specified. Price list to be filed with code authority.

Carbon Black Mfg. Industry: Minimum prices to be filed with code authority, with right to reduction if lower prices filed by other industry members.

Card Clothing Industry: Usual unfair trade practices prohibited. Publication of prices required and conformance to same.

Carpet and Rug Mfg. Industry: Publication of price and discount list with the code authority. Conformance to same. Usual unfair trade practices prohibited. No gratuities. Regulation of returned goods. Credit terms specified. No consignment. Provision for discount price on slow moving merchandise. Specific terms to provide for sale of Auto and Airplane Carpets.

Cast Iron Boiler and Cast Iron Radiator Industry: Price list and discount schedule to be filed with code authority. Classes of customers definitely defined. Usual unfair trade practices.

Chemical Mfg. Industry: No reference to credit matters.

Chewing Gum Mfg. Co.: Usual unfair trade practices. Regulation of advertising allowances. No consignment sales. No credit for competitors' goods. Specified maximum cash discount.

Chilled Car Wheel Industry: Code authority to recommend necessary fair trade practices.

Cloth Reel Industry: Members of industry to file price list and terms of sale with code authority. Usual unfair trade practices.

Coffee Industry: Usual unfair trade practices. Regulation of sampling and free deals. Open price list filed with code authority.

Coin Operated Machine Mfg. Industry: Usual unfair trade practices. Provision for sale of obsolete, discontinued models, etc.

Concrete Pipe Mfg. Industry: Usual unfair trade practices. No sale to be below cost as determined by unified cost accounting system referred to in code.

Construction Industry: Division Code Authorities to be established. Regulation of competitive bidding practices. Prohibiting "bid peddling". Regulations to govern Awarding Authority. No allowances or rebates by Awarding Authority.

Construction Machinery Distributing Trade: Usual unfair trade practices. Publication of prices and discounts. Regulation of return goods. Minimum requirements for instalment sales. Discrimination between purchasers.

Cooking and Heating Appliance Mfg. Industry: Usual unfair trade practices such as no consignment sales, false billing, excessive allowances, rebates, commercial bribery. No underselling of reported prices, discounts, terms.

Cordage and Twine Industry: Price list and terms schedule to be filed with code authority. Definite maximum terms of sale and discounts for cordage and wrapping twine manufacturers.

Cork Industry: Usual unfair trade practices. Merchandising plan by executive committee of each division with approval of 75% of members in said division. Price list, terms, etc., to be filed by each member and compliance thereto compulsory.

Corrugated and Solid Fibre Shipping Container Industry: Code authority to determine open price plan of selling and schedules and details therefor.

Cylindrical Liquid Tight Paper Container Industry: Price lists and terms of sale schedule filed with code authority and adhered to. Such necessary statistical data to be filed by each member with code authority. Usual unfair trade practices prohibited. No discrimination between customers of same classification.

Daily Newspaper Publishing Business: No credit provisions.

Dental Laboratory Industry: Usual unfair trade practices. Price lists and term schedule to be filed with code authority. Maximum term period defined. No cash or trade discounts allowable.

Drapery and Upholstery Trimming Industry: Usual unfair trade practice prohibited. Maximum terms and discounts defined.

Envelope Industry: Members to file schedule of prices and terms of sale with code authority. Code authority to determine from time to time open price plan. Usual unfair trade practices, amplified to cover certain unfair trade practices peculiar to the industry. Definite specification as to cash discounts for different classes of customers.

Fan and Blower Industry: Usual unfair trade practices prohibited. Usual listing of prices and terms of sale scheduled with code authority, with adherence thereto required.

Feldspar Industry: Each member to file schedule of prices and terms of sale and discounts with code authority. No secret rebates, refunds, unearned discounts, etc., allowed. No consignment sale.

Fibre Can and Tube Industry: To file schedule of prices and terms as and when decided upon by code authority. No shipment on consignment except under terms defined by code authority.

Fluted Cup, Pan Liner and Lace Paper Industry: In accordance with determination of code authority, members shall file schedule of prices and terms of sale. Disposal of distressed merchandise, etc., on terms as defined by code authority.

Folding Paper Box Industry: Usual schedule of prices and terms to be filed with code authority with subsequent revisions. Usual unfair trade practices prohibited. Maximum terms of sale and discounts specified.

Food Dish and Pulp and Paper Plate Industry: Members file price, terms of sale schedule with code authority. Usual unfair practices. Maximum terms of sale and discounts specified. No consignment, except under circumstances to be defined by code authority.

Foundry Supply Industry: Code authority to fix date upon which open price plan of selling to be effective. Usual unfair trade practices. Consigned goods to be paid for as used.

Foundry Equipment Industry: Usual unfair trade practices.

Furniture and Floor Wax and Polishing Industry: Usual unfair trade practices and published prices. No consignment sales except as allowed by code authority. Standard terms and cash discounts specified.

General Contractors Industry (Supplementary Code): Regulation of taxes in submitting bids. Requirement that general contractors shall make available credit information to those responsible for awarding construction contracts as regards their current financial position, using standard questionnaire forms. Regulation as to contractors maintaining proper records, contractual agreements; regulations as to disputes, rebates, etc.

Glassware Industry: Members' price lists and terms of sale to be filed with code authority. Usual unfair trade practices prohibited.

Glazed and Fancy Paper Industry: Members to file schedule of prices and terms of sale with code authority and conform thereto. Usual unfair trade practices. No consign-

ment sales except by permission of code authority.

Graphic Arts Industries (Amalgamation of 50 odd Codes): Each establishment to file with code authority price list and terms of sale schedule. No deliveries on consignment. Regulation as to submitting bids. Uniform sales contract form may be adopted by national code authority. Unfair trade practices such as commercial bribery, discrimination, threats, etc.

Periodical publishers must maintain published rate schedules as filed.

Book Manufacturers Sub-Division provides that the national code authority shall set up such bureaus as necessary to guide its members in the granting of credit. It shall further be the duty of every establishment operating under the division of this code to transmit to such credit bureaus information as to the financial responsibility and credit standing of customers of the industry, and in addition, it shall be the duty of every establishment operating under the provisions of this code to transmit to such credit bureaus such information regarding the credit standing of any of its customers as the said credit bureau may request, including therein all open accounts overdue for 60 days or more. Definite maximum terms of payment and discount for Book Manufacturers Sub-Division.

Superfinish Covering Manufacturers, Trade Binding and Paper Ruling, Textile and Hosiery Packing Mfrs., Ticket and Coupon Manufacturers, Dry Transfer Manufacturers: No establishment to alter, omit or modify terms and condition of uniform form of contract which national code authority may adopt (a very comprehensive code as applies to credit and worth studying by each one interested in this large industry).

Gumming Industry: Members to file price lists and terms of sale scheduled with code authority. Code authority to establish additional rules of fair trade practice as required. Usual unfair trade practices.

Gummed Label and Embossed Seal Industry: File with code authority schedule of prices and terms. Usual unfair trade practices.

Hat Mfg. Industry: Usual unfair trade practices. No consignment sales except those necessary to carry out existing arrangements on effective date.

Inland Water Carrier Trade in the Eastern Division of the U. S. Operating Via the New York Canal System: No rebates, refunds, discounts or gratuities in any form. Regulation of cargo contracts.

Gray Iron Foundry Industry: Usual unfair trade practices prohibited. Maximum terms and discounts specified.

Knitting, Braiding and Wire Covering Machine Industry (Amendment): No acceptance of machinery or parts as part payment of new equipment. All sales f.o.b. factory.

Laundry Trade: Extensive unfair trade practices listed, with particular reference to forbidding rebates, imitation, espionage; no free service; selling below minimum prices, etc. No extension of credit to a customer by a route salesman unless authorized by his employer.

Leather Industry (Amendment): Article 14 amended to state maximum term period on domestic sales. Specified cash discount, and only on cash transactions. Interest on past due accounts and requirements that it be collected, except in case of members of the American Leather Belting Association Division. Additional fair trade practices for other divisions of the industry.

Light Sewing Industry (Except Garments): General articles to cover all of industry trade practices by following Divisions: 1. Comfortable Division. 2. Mattress Cover Division. 3. Table Pad Division. 4. Quilting Division. 5. Fabric Auto Equipment Division. 6. Covered Carpet Padding Division. Division members to file with Divisional Committee schedule of prices and terms of sale. Usual unfair trade practices prohibited. Maximum terms and discounts defined. No consignment sales.

Lye Industry: Members to file with code authority price and term schedule; maximum terms of sale and discounts specified. Regulation of quantity price.

Macaroni Industry: Usual unfair trade practices. Open price plan prevails. No consignment sales. Commercial bribery forbidden.

Machine Knife and Allied Steel Products Mfg. Industry: Usual unfair trade practices. No discrimination between customers of similar classes. No consignment sales or make-and-hold-orders.

Marine Auxiliary Machinery Industry: Usual unfair trade practices prohibited. Provision for reduced prices on slow moving obsolete stock. No sales below cost as defined.

Metal Hat Die and Wood Hat Block Industry: Standard maximum terms and discounts specified. Regulation of returned merchandise. No consignment sales. No gratuities, advertising allowance, assignment of accounts receivable, etc. *Rule 7. Eligibility for Credit.* "No person engaged in the industry shall extend credit to any customer

who shall be in default for a period of forty-five (45) days after maturity on any previous invoice sold to said customer by a member of the industry except in such cases as exceptions may be granted by the Code Authority."

Metal Window Industry: Usual unfair trade practice. No sales below cost as defined. No blacklisting. Members to file price schedule with code authority and adhere thereto.

Musical Merchandise Mfg. Industry: Usual unfair trade practices prohibited.

Nonferrous and Steel Convector Mfg. Industry: Specific trade practices in great detail, including publishing of price list and discount figure. Different classes of customers defined. No consignment sale. No sales below cost.

Ornamental Molding, Carving and Turning Industry: Usual unfair trade practices. Maximum terms of sale and discount specified. No consignment sales.

Outdoor Advertising Trade: Usual unfair trade practices as applies to credit. Code authority to prepare basic classification of services to the trade with schedule of items and services.

Paper Bag Mfg. Industry: Each member to file price and term schedule with code authority. Usual unfair trade practices prohibited. Maximum cash discounts specified.

Paper Disc Milk Bottle Cap Industry: Code authority to determine open price plan of selling with usual scheme contemplated. Usual unfair trade practices.

Photographic Mount Industry: Code authority to determine from time to time regarding open price plan of selling. When such a date is fixed, members to file price lists and terms of sale. Usual unfair trade practices.

Picture Moulding and Picture Frame Industry: Overhead cost and price list to be filed with code authority and subsequent changes thereto. No rebates, refunds or allowances. No consignment without permission of code authority.

Pipe Organ Industry: Usual unfair trade practices prohibited.

Pleating, Stitching and Bonnaz and Hand Embroidery Industry: Comprehensive unfair trade practices including usual items and no consignment sale. Regulation as to contracts and definite provision as to maximum cash discount, both amount and time.

Plumbing Fixtures Industry: Marketing policies clearly defined. Consigned stocks prohibited for future. Present consigned stocks liquidated as soon as possible. No manufacturer to sell on any more favorable basis than terms and discounts status defined by code authority. Published prices and terms schedule to be filed with code authority by members.

Porcelain Breakfast Furniture Assembling Industry: Usual unfair trade practices. Maximum terms, sales, discounts, definitely set and specified. No consignment sales without permission of code authority. Return goods regulated.

Pottery Supplies and Backwall and Radiant Industries: Usual unfair trade practices. No consignments, except under bona fide contract. Maximum terms of sale and discounts. Regulation as to disposition of second hand close out numbers, etc.

Powder Puff Industry: Usual unfair trade practices, terms of sale and discounts specified.

Printing Equipment Industry and Trade: Every member to establish own list of prices to be filed with code. Regulation of trade-in allowances. Regulation of terms for instalment sales. Usual unfair trade practices prohibited, and considerably amplified.

Railway Car Appliances Industry: (Added Division of the Fabricated Metal Products Mfg. & Metal Finishing and Metal Coating Industry): Usual unfair trade practices prohibited, and conformity with Fabricated Metal Products Code Required.

Railway Car Building Industry: Specific regulations as to submitting proposals on bids. No secret rebates. Code authority to formulate additional trade practice provisions.

Railway Safety Appliance Industry: No credit provisions.

Raw Peanut Milling Industry: Usual unfair trade practices prohibited.

Ready-Made Furniture Slip Covers Mfg. Industry: Usual unfair trade practices. Maximum terms of sale and discounts. No consignment sales except by permission of code authority.

Restaurant Industry: No free deals as defined. No prizes, gifts, premiums. Regulation as to sale of food at retail prices. "Stop Loss Provision".

Retail Farm Equipment Trade: No sales below cost. No secret rebates, allowances, discounts, etc.

Retail Solid Fuel Industry: Each member to file price terms and conditions of sale for each kind of grade, size and blend of fuel. Divisional code authority in each area to determine basis of costs. Report of all sales showing their prices to be filed with divisional code authority. All prices and terms of sale to be posted conspicuously on members' premises for public inspection, also filed with code authority. Complete schedule of unfair practices applicable to this industry. (*Continued on page* 40)

N. A. C. M. pioneers

by J. H. TREGOE,
Past Executive Manager,
N. A. C. M., 1912-'27

Chapter Eight: The War Years

Sabotage and indiscriminate undersea attacks on shipping had irritated our people, and created a resentment quite noticeable when 1917 came into the chronological picture. We were getting into a fighting mood, despite the highly cherished tradition, "No foreign entanglement" and the reelection of Mr. Wilson on a widely blazoned platform "He kept us out of war."

In January the German Imperial Government determined to force a peace by isolating and starving England by a concentrated underseas blockade, that would involve neutral shipping. Certain rules were announced for any ships of the United States which might approach the zone of blockade; rules so arrogant and unmindful of our national honor that the growing resentment flamed up. After the President had expostulated and declined compliance there was no alternative but to set aside all traditions and defend the nation's rights against the European offender. With the sympathies and support of the people, war was declared against Germany on April 17th, in a hush of solemnity that portended the most gigantic task in the Republic's history.

It was soon evident that our unpreparedness in men and munitions would compel the mobilizing, quickly and completely, of every resource to redeem our declaration of war. Men and armaments were not alone sufficient. Back of these visible preparations must be a power to borrow and spend to a degree that would have dazed the wildest imagination of our forebears. Credit would have to be the real fighting power of the struggle, and no one could foretell the nation's abilities in this supreme credit test.

Of the National Association of Credit Men in this crucial period an editorial writer had said, "It has gone steadily up, each task undertaken and done having provided a stepping stone for new and higher tasks, until it has seemed that the range of possibilities of service has no limit."

The Federal Reserve System, upon which the brunt of public financing would inevitably fall, had not outgrown its swaddling clothes. The powers of the system had felt no unusual pressure, but now must be determined the accuracy of its mechanism. When war was declared the twelve Federal Reserve Banks had a reserve of approximately $1,000,000,000; their deposit and note liabilities were less than $1,500,000,000. The system was liquid by a large margin, though its resources had grown modestly.

The National Association of Credit Men immediately glimpsed the need of getting our financial house in order; putting everyone, in business and out of business, under sound credit control. The challenge was broadcast by the Association,—"Don't Speculate, Don't Hoard, Don't Waste." The development of two decades was brought to the front in this pressing emergency and placed unreservedly at the nation's service.

The realization soon dawned that men must be sent to the fighting front, and they would have to be fed and accoutred over a long water-way, beset with submarine perils. The Administration merely clicked its teeth, however, and never faltered. The wholehearted sincerity of the people in this, the most serious project of our history, would soon be tested by the announcement of a public loan which would bear the appealing title of "Liberty." The response was spontaneous. The temper of the nation was clearly shown by the devotion of its wealth to the defense of justice. In the response to this announcement, the National Association of Credit Men played a part by subscribing $5,000 of its reserve to the Liberty Loan.

The tense situation suggested to some members of the Association that it would be advisable to abandon the annual meeting in 1917, but a better judgment prevailed and a Credit Congress was convened in Kansas City during June. Every department of the organization sustained a close scrutiny. In the legislative field, unusual progress had been made in the previous year. The New York Bulk Sales Law had been sustained in the highest court of the state. The False Statement Acts of California and Nebraska had passed successfully through a judicial test. Bad check laws were enacted in five states. More protective bulk sales laws were enacted in Iowa and Oklahoma. The Legislative Committees had been as "busy as bees."

Credit education was now looming large in the Association's program, under a skilled leader, David E. Golieb of New York. The local Associations were imbibing the spirit of this educational appeal, and 22 credit classes were reported at the Convention. Nationalizing credit education under able direction was Mr. Golieb's high purpose, and to anticipate the progression of this cycle, a plan for the National Institute of Credit was diagrammed by a Council of which an educator of distinction, Dr. C. W. Gerstenberg of New York University, served as Chairman. Systematic courses were mapped out for the Institute; correspondence courses were decided upon. With everything set, a department of Credit Education was installed in the National office, and in December, 1919, the department was placed under the direction of Dr. John Whyte.

The Kansas City Convention carried a strong patriotic tone. Not the slightest faltering or carping was found in all of its proceedings. A message to the President of the United States placed the Association's powers at his command. Economy was stressed. The spirit was serious but decided. A resolution was adopted to take from the Association's reserves sufficient to equip an ambulance for the fighting front; this devotional gesture was consummated in November, 1917, and an ambulance dedicated as a memorial to "James G. Cannon," was sent to the Belgian front.

In membership, the Association had done splendidly through the year; 8 new Associations were organized and 1,357 new members added, bringing the total membership to 22,137.

A gentleman of sterling worth, Silas J. Whitlock of Chicago, was selected for the President's office and with him Ira D. Kingsbury of Rochester as First Vice-President, and H. H. Humphreys of

and traditions

Boston as Second Vice- President.

As new departments were conceived in Washington to conserve industry, transportation and food, the National Association tendered its cooperation, responded wherever there were opportunities to serve and at the close of the year, three of its active staff heads, E. B. Moran, Justin Henderson, and B. B. Tregoe, had gone to the colors.

As the time approached to launch the third Liberty Loan, the bankers were taut over the bigness of the task, and there was mobilized an army of platform and "Four Minute Speakers." The writer, then Executive Manager, was asked to go abroad for an inspection of the fighting front and the war preparations. The idea was that this inspection could be used for arousing a higher interest in the Liberty Loan. The invitation had to be declined as the Executive Manager felt, in the nervous situation, that his presence was needed for the Association's affairs. Urging subscriptions to the Loan in factories, on the streets, and in public halls was cheerfully undertaken in the line of this promised service. With a wonderful fervor the Third Liberty Loan was entirely successful.

Deeper credit study appeared to be a paramount need at this period, when our credit resources were sustaining such a heavy load. The value of the Trade Acceptance in substitution for open book accounts was again ardently urged. The Trade Acceptance Bureau was set up in the National Office by W. W. Orr. Information was widely circulated. An editorial in the Saturday Evening Post commended the Association for its attitude on this question. But the opposition would not be worn down and a most desirable credit economy was again refused.

The splendid way in which the Federal Reserve System met the pressure of war-financing aroused confidence in its basic structure. It was inevitable that a perfectly normal system of this character would need improvements in its machinery from time to time, but by far and large it is only just to say that the concentration of credit reserves by the Federal Reserve System played a great part in our militant efforts, and without this system and its conserving powers, it would have been difficult, if at all possible, to have marketed the large war loans.

Giving to the check a currency that it had never enjoyed, was one of the Reserve System's big accomplishments. It was a feature highly prized and sought for by the National Association of Credit Men. When a number of small bankers, who had obtained their chief income by charging for the payment of checks, sought to upset this desirable convenience, Mr. Glass stoutly resisted and with the Association's active assistance, blocked the attack. The Association appealed to all banks that could qualify, to join the System, and in every possible way aid in its development.

While these National movements were in the Association's eye, it was likewise carrying on its peculiar tasks and one of them was to keep the business crook moving. The Prosecution Department had a small fighting chest, and, within its powers, fraudulent debtors were singled out and punished. Freas Brown Snyder of Philadelphia, Chairman of the Department's Committee, gave unselfishly of his time to the task. An investigator of unique abilities, C. D. West, known widely as "Zephon," followed the complaints filed by members and developed a number of cases so involved and interesting, that they might have emulated the thrills of fiction writers. The foundation was being laid for the more effective and wider prosecution of commercial crime.

The Association had many contacts in Washington, and many calls from the nation's capitol to answer, so it was thought advisable as a convenience to place a Bureau in Washington for the conservation of time, and which was duly brought about, with R. Preston Shealey of Washington as its manager.

Dallas had been selected for the Convention city of 1918. The difficulties, however, in transportation in the mid-year of 1918 made a change desirable, and with the cordial concurrence of the Dallas officials, and in an unselfish manner, Chicago accepted gracefully the Convention task. The opening session of the Chicago Convention was the most colorful of its entire history. The Majestic Theatre was filled to capacity. The address of Governor Lowden was electric. "The Long, Long Trail," sung by "Jacky" Mix of the Great Lakes Naval Band brought moisture to the eyes of everyone who had loved ones at the front. The Convention was replete with enthusiasm and instructive addresses. The Association showed not a single dint in its fighting powers. The membership report offered by R. J. Kane of Chicago, a man of untiring energy and resources, electrified the Convention. Three new Associations had been organized and 2,499 new members added; the Association's total was now 24,636. (*Continued on page 29*)

N. A. C. M. organizer dies

T. Homer Green

Funeral services for T. Homer Green, 84, one of the founders of the National Association of Credit Men and one of the organizers of the Northwest Jobbers' Credit Bureau, who died Saturday, March 17th, at the home of his son in Minneapolis, Minn., were held Tuesday, March 20th.

Mr. Green was the last to survive of the first four officers of the Association. He was a resident of Sioux City, Iowa, when he attended the National Association of Credit Men's organization at Toledo, Ohio, in 1896 and became first Treasurer of the National Association of Credit Men.

Born in New Vienna, Ohio, he came to Minneapolis in 1901 and engaged in the wholesale grocery business. He was president of Green & Laittre Co., until he disposed of his interests on retirement nine years ago.

He assisted in formation of the National Wholesale Grocers' Association. An authority on credit (*Cont. on p.* 37)

The business

a compilation of business and

BUSINESS INDICES: Holding about steady during the first two weeks in March at a percentage index of about 64 percent, practically every feature of business development continues to indicate a continuance of general up-turn. Steel ingot production was recorded at 47.7 percent of capacity during the first week in March and 46.2 percent in the second week of the month. These figures are to be compared with 15 percent a year ago and 53 percent for an average for the years from 1929 to 1933. Indices of trade such as car loadings and check payments also continue to show improvements. The daily average of car loadings for the first week in March is set at 102,000 cars with 101,000 cars as the daily average for the second week. A year ago the daily average was but 80,000 cars. Check payments outside of New York City also had a general boost in the second week of March to $3,217 millions against a four-year average of $5,463 millions. Fisher's price index held firm at 74.5 for the second week of the month and 74 percent for the first week as compared with 81.4 for the four-year average.

AUTOMOTIVE TRADE: The production figures released to date indicate that the motor industry is on about the same basis as 1930 and 1931. Midway in the month, however, a sharp development in labor troubles caused a considerable anxiety among those interested in this trade. The battle with the A. F. of L. seems to be on in earnest. Business in general will watch this contest closely as it will be a great factor in the continuance during the next few months of the general business trend because of its possible effect upon factory costs. In a statement issued by President Sloan to his stockholders early in March, the General Motor's chief predicted his company would earn more than the 25 cents per share needed for common dividends in the first quarter of 1934.

STEEL TRADE: As stated above there was a slight let up in steel ingot production during the second week in March. This was attributed to a hesitance on the part of many large buyers in placing anticipatory orders until certain present difficulties are out of the way. Quite heavy buying of rails during the second week of March helped to keep the slump within narrow limits.

RETAIL SALES: Reports from the south-west continue to pour in, telling of big gains in February in retail sales. Dallas had a gain of 38 percent, Atlanta 37 percent and Chicago 32 percent. The merchants in the larger eastern centers apparently do not know much about these big gains for the reports from greater New York indicate a gain of but 6 percent. The chain store reports from the smaller towns indicate that money is again circulating and that merchandise sales in February in this field were much larger than a year ago. Mail order houses also reflect this increase in business.

Indications for business sunshine

Credit men have heard a lot about the several Intermediary Banks which the administration proposes to establish. We know of no clearer statement on this general subject than that given by Executive Manager Heimann in his general letter on March 15 and which has been widely quoted in the press of the nation during the past week. He said:

"I hold to the opinion that demands for capital funds which seem to be the chief discussion at the moment, will be found to be based upon factors not entitling the acceptance of credit. An analysis, in my opinion, of all of the pleas for capital funds for small businesses will reveal that the businesses asking this consideration have their capital structure so impaired that unless the government simply wants to provide most of the capital, which will be permanently frozen in the business, there will be few applications granted. Obviously, the government can not undertake, or should not undertake, an entry into business by becoming the owner of most of the capital stock. If the government undertakes this for business it might as well undertake it for individuals.

"Finally, it might as well be accepted that one of the real purposes in establishing the Intermediate Credit Banks was the psychological reason, so that these constant complaints would not go unattended. In actual practice it is doubtful whether many of these loans will be made, but having the banks available to make sound loans will satisfy the clamoring that seems to be so incessant for help from Washington."

* * *

General merchandise sales in small towns and rural areas in January were 45 percent in dollar volume over January, 1933, it is indicated in preliminary estimates issued by the Bureau of Foreign and Domestic Commerce as the first report from its new index of rural sales. This new index is based on figures furnished by three large mail-order companies for sales by mail only, and a large group of chain units operating in the small towns and cities of the agri-

thermometer:

financial trends and indications

cultural regions of the country. The total sales of the sample represent about one-fifth of all general merchandise sales in places of less than 30,000 population.

Rural sales for the full year 1933, measured in dollars, were about 9 percent above 1932, these reports show. The year 1932, on the other hand, registered a drop of 16 percent from 1931. The decline between December and January was 40 percent this year as compared with a 45.5 percent decrease a year ago.

The percentage changes for this index are computed from calendar-month totals, with no allowance for differences in the number of working days in the several months. Only those chain units are included which have been in continuous operation during the period covered.

This is the fifth index of the group being set up by the Department of Commerce to aid in tracing purchases by consumers. The other four are: Variety store sales, grocery store sales, retail financing of automobiles, and new automobile sales by dealers.

* * *

The American Institute of Accountants has filed a brief with the Senate committee which has the national securities exchange bill up for consideration. Credit men and those who have to do with the financial affairs of larger corporations will be interested in this statement which says:

"We approve the requirement of at least one report each year certified by independent public accountants. This is in accord with what is commonly regarded as good practice.

"It is preferable that the certified report be rendered as of a date marking the end of the natural business year of the company concerned (which is not necessarily December 31), i. e., the date most closely coinciding with the termination of the annual business cycle, which is also usually the date at which inventories are at their minimum. The work of the regulatory body would be facilitated by spreading the closing dates of various industries in accord with their natural fiscal periods, and resulting financial statements would be more valuable for comparative purposes. It is suggested that there be inserted in Section 12 (a) (2) a provision making it clear that annual reports are to be filed as of the date marking the end of the natural business year of the company concerned."

* * *

In the left hand column of this month's issue of the Thermometer appears some figures showing substantial gains in car loadings. A statement issued by the American Railway Association on March 16 shows that for the week closing on March 10 there was an increase of 8,265 cars over the previous week, 171,041 over the corresponding week in 1933 and 36,921 over the same in 1932.

Loadings for the week compared with the same week last year follow:

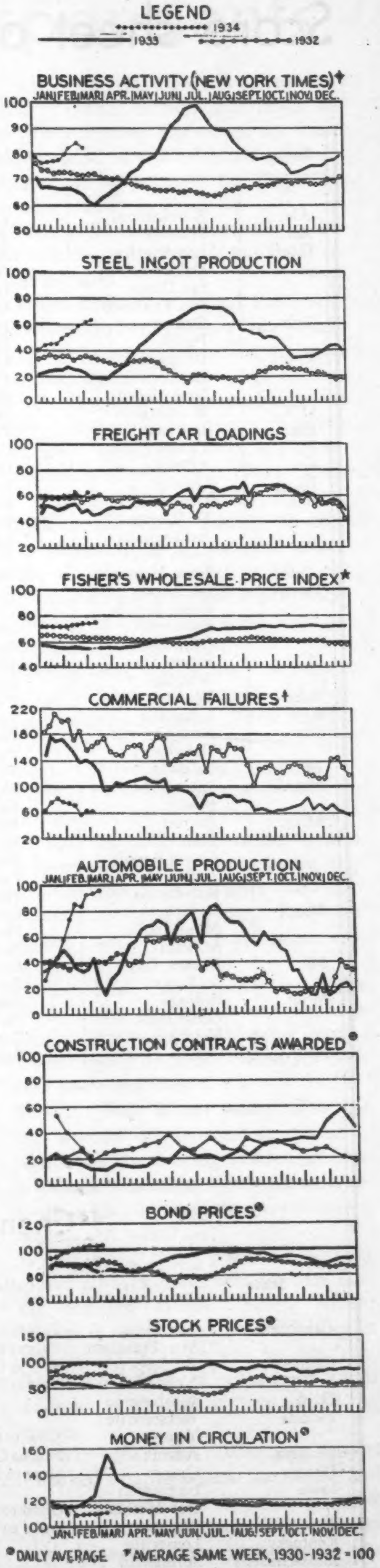
Miscellaneous freight, 216,442, increase of 75,591; loadings of merchandise less-than-carload lots, 166,386, increase of 11,732; grain and grain products, 29,748, increase of 11,534.

In the western districts alone, grain and grain products loadings totaled 19,414, increase of 9,341 above the same week in 1933; forest products, 22,852, increase of 9,423; ore, 3,393, increase of 1,599; coal, 151,494, increase of 54,622; coke, 10,094, increase of 5,365; live stock, 11,993, increase of 1,175. It was, however, a reduction of 4,805 below the corresponding week in 1932.

In western districts alone, loadings of live stock for the week totaled 9,289, increase of 1,093 above the comparable week in 1933.

* * *

Developments during the next four weeks in the labor situation will be watched with deep interest by those who have to do with future planning in industry. While steel, motors, railways are the prime centers of interest, most every other industry will be watching the contest closely.



®DAILY AVERAGE ▼AVERAGE SAME WEEK, 1930-1932 = 100
† COMPUTED NORMAL = 100 * 1926 = 100 † NUMBER

Dept. of Commerce charts 1923-25=100

Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Good	Good	N. J.	Newark	Fair	Fair
Ariz.	Phoenix	Fair	Fair		Trenton	Fair	Good
Calif.	Los Angeles	Fair	Fair	N. Y.	Albany	Good	Good
	Oakland	Fair	Fair		Binghamton	Fair	Fair
	San Diego	Good	Good		Buffalo	Fair	Fair
	San Francisco	Good	Fair		Elmira	Fair	Fair
Colo.	Denver	Fair	Fair		New York	Fair	Fair
	Pueblo	Fair	Fair		Rochester	Fair	Fair
Conn.	Bridgeport	Good	Good	N. C.	Charlotte	Good	Good
	Hartford	Fair	Fair	N. D.	Grand Forks	Good	Good
	New Haven	Slow	Fair	Ohio	Cincinnati	Good	Good
D. C.	Washington	Slow	Slow		Columbus	Good	Good
Fla.	Jacksonville	Fair	Fair		Dayton	Fair	Fair
	Tampa	Good	Good		Toledo	Slow	Slow
Ga.	Atlanta	Good	Fair		Youngstown	Fair	Fair
Ill.	Quincy	Fair	Fair	Okla.	Oklahoma City	Fair	Good
Ind.	Evansville	Fair	Fair		Tulsa	Slow	Fair
	Ft. Wayne	Fair	Fair	Ore.	Portland	Fair	Fair
	Indianapolis	Fair	Fair	Pa.	Allentown	Fair	Fair
	South Bend	Fair	Fair		Altoona	Slow	Slow
	Terre Haute	Fair	Fair		Harrisburg	Slow	Slow
Iowa	Burlington	Slow	Fair		Johnstown	Slow	Fair
	Cedar Rapids	Good	Good		Pittsburgh	Fair	Fair
	Davenport	Slow	Fair	R. I.	Providence	Fair	Fair
	Des Moines	Fair	Fair	Tenn.	Bristol	Fair	Fair
	Sioux City	Fair	Fair		Knoxville	Fair	Fair
	Waterloo	Fair	Good		Memphis	Good	Good
Kan.	Wichita	Fair	Fair	Tex.	Austin	Good	Good
Ky.	Louisville	Fair	Fair		Dallas	Slow	Fair
La.	New Orleans	Fair	Fair		El Paso	Fair	Fair
	Shreveport	Fair	Fair		Ft. Worth	Good	Good
Md.	Baltimore	Fair	Fair		Houston	Good	Good
Mass.	Springfield	Slow	Slow		San Antonio	Fair	Good
	Boston	Fair	Fair		Waco	Fair	Fair
Mich.	Detroit	Fair	Fair	Utah	Salt Lake City	Fair	Good
	Flint	Fair	Fair	Va.	Lynchburg	Fair	Fair
	Grand Rapids	Fair	Fair		Richmond	Good	Good
	Jackson	Fair	Good	Wash.	Seattle	Fair	Fair
	Kalamazoo	Fair	Fair		Spokane	Fair	Fair
Minn.	Duluth	Good	Good		Tacoma	Fair	Good
	Minneapolis	Fair	Fair	W. Va.	Bluefield	Fair	Fair
	St. Paul	Fair	Good		Charleston	Fair	Good
Mo.	Kansas City	Fair	Fair		Clarksburg	Fair	Fair
	St. Louis	Fair	Fair		Parkersburg	Fair	Fair
Mont.	Billings	Fair	Fair		Wheeling	Slow	Fair
	Great Falls	Fair	Fair	Wis.	Fond du Lac	Slow	Fair
	Helena	Good	Good		Green Bay	Fair	Fair
Nebr.	Omaha	Fair	Good		Milwaukee	Fair	Fair

Changes since last month's survey

State	City	Collections	Sales	State	City	Collections	Sales
California	San Diego	Fair to Good	Fair to Good	Montana	Billings	Good to Fair	
	San Francisco	Fair to Good		Nebraska	Omaha	Good to Fair	
Connecticut	Bridgeport	Fair to Good	Fair to Good	New Jersey	Trenton		Fair to Good
	New Haven	Fair to Slow		New York	Albany	Fair to Good	
D. C.	Washington		Fair to Slow		New York		Good to Fair
Florida	Jacksonville		Slow to Fair	North Dakota	Grand Forks		Fair to Good
	Tampa	Slow to Good	Slow to Good	Ohio	Cincinnati	Fair to Good	
Georgia	Atlanta	Fair to Good		Pennsylvania	Harrisburg		Fair to Slow
Illinois	Quincy	Slow to Fair	Slow to Fair	Tennessee	Memphis	Fair to Good	Fair to Good
Iowa	Burlington		Slow to Fair	Texas	Fort Worth	Fair to Good	Fair to Good
	Des Moines	Good to Fair			San Antonio	Good to Fair	
	Waterloo	Good to Fair		Utah	Salt Lake City		Fair to Good
Kentucky	Louisville		Good to Fair	Washington	Tacoma		Fair to Good
Massachusetts	Springfield		Good to Slow	West Virginia	Bluefield	Slow to Fair	Slow to Fair
Michigan	Jackson		Fair to Good		Parkersburg	Slow to Fair	
Minnesota	Duluth	Fair to Good			Wheeling		Slow to Fair
Missouri	St. Louis	Good to Fair		Wisconsin	Fon du Lac	Fair to Slow	

Comments from correspondents:

With 94 points reporting this month as against 111 in February the score sheet continues to show a considerable gain in both collections and sales. We have one more, eighteen, reporting Good under collections and 7 less showing Slow. The difference in number reporting is mostly accounted for under the Fair column where the number is 63 this month as against 73 last month. The score sheet on Sales also shows an increase of one, 27, now reporting under Good and 4 less reporting Slow.

ALABAMA: Birmingham continues to head the list of cities with an indication of Good under both columns, unchanged from last month.

CALIFORNIA: Los Angeles reports, "continued improvement in both sales and collections to the point close to Good." Oakland says considerable improvement in most lines with prices higher. San Diego pulls up to Fair in collections but drops down from Good in sales. San Francisco reports retail sales 37 per cent above same period last year, also considerable gain in collections.

COLORADO: Denver writes, "very little change evident although there is better feeling. Business generally, while some improved, cannot be rated better than Fair." Pueblo indicates some improvement in both sales and collections.

CONNECTICUT: New Haven indicates some slump during past month in collections. Bridgeport has a majority checking in the Good columns.

DISTRICT OF COLUMBIA: Washington still anxious about collections with a slump in sales indicated from Fair to Slow.

FLORIDA: Jacksonville gives this summary: "Fruit crop in Florida has lost money for the grower on account of very low prices. Vegetable crops has made money only in some cases. Lumber improving, but still not much. Tourist business this winter best in many years. Expenditure of government money has helped merchants a lot. Generally condition is better than last year but still far from Good." Tampa reports "revenue from great number of tourists has helped both sales and collections. This and expenditure of CWA funds is seasonal and we expect lessened sales and collections."

INDIANA: Five points in Indiana hold the same classification as last month, Fair, in both sales and collections.

IOWA: There has been a slight slackening in Iowa. Des Moines and Waterloo slipped down a notch in collections while Burlington moved up a peg from Slow to Fair in sales. Most of those reporting at Sioux City check under Fair.

GEORGIA: Atlanta indicates a gain from Fair to Good for collections with sales holding to Fair for the past month.

KANSAS: Wichita says fear of discontinuance of CWA has slowed down general business conditions.

MASSACHUSETTS: Boston indicates improvement in both sales and collections and says one national distributor reports these items nearly good. Springfield writes: "Mercantile and construction work held up by inability to obtain loans on what would appear to be good security."

Summary

Last Month:

Collections:		Sales:	
Good	18	Good	26
Fair	73	Fair	76
Slow	20	Slow	9

This Month:

Collections:		Sales:	
Good	19	Good	27
Fair	62	Fair	62
Slow	13	Slow	5

MICHIGAN: Detroit finds employment improving. Boom in motor trade is helping kindred lines. Flint says local improvement best in four years. Notable upswing in January and February. Grand Rapids indicates improvement in sales with collections about the same. Jackson reports big improvement in sales.

MINNESOTA: St. Paul reports payment of past due accounts still lags but current bills been paid satisfactorily. CWA money has aided sales.

MISSOURI: St. Louis indicates a slight slump in collections. Kansas City still registers Fair in both sales and collections.

MONTANA: Helena still reports Good for both sales and collections while in the Billings area seven points report Fair on collections to three Good. As to sales, six report Fair while five report Good.

NEW JERSEY: Newark reports "spotty" replies on both sales and collections.

NEW YORK: Buffalo still holds to Fair while Albany has moved up from Fair to Good in the collection column. Most of the reports from the Binghamton area classify as Fair.

NEBRASKA: Omaha falls back to the Fair column on collections but holds to Good on sales.

NORTH DAKOTA: Grand Forks registers Good in both columns this month, which is an improvement for the sales over last month.

OHIO: Cincinnati indicates change for better. Large soap makers working over-time. Distillery activity is marked. Columbus still registers as Good. Dayton reports National Cash Register, Frigidaire and Delco putting on men with improvement in sales and collections. Toledo still is slow on both collections and sales but some improvement indicated. Youngstown shows some improvement in steel industry.

OKLAHOMA: Oklahoma City reports feeling of hope still prevails and business in general is better. Tulsa reports: "Tulsa slow but Fort Smith quite optimistic. Oil business looking up."

PENNSYLVANIA: Harrisburg shows a slackening in sales from Fair to Slow.

RHODE ISLAND: Providence reports "a better feeling as to what future may have in store. Many firms have expressed the opinion they look for marked improvement in next few months."

TENNESSEE: Knoxville says sales could hardly be classed as Good but "surely improving." Memphis continues to classify in Good column for both sales and collections.

TEXAS: Fort Worth seems to be the high spot of improvement in this state, reports of Good being entered in both sales and collections. San Antonio reports slight falling off in collections during past month.

WASHINGTON: Tacoma indicates considerable improvement in sales during the last month. Seattle writes: "There is not quite as good a feeling in this locality as there was 30 days ago. There seems to be a question in minds of many as to what is 'just around the corner.' "

WEST VIRGINIA: Wheeling reports "marked improvement in steel and glass production. Wholesale trade shows increases in many lines. Pottery and china-ware lines improving."

"This month's collection letter"

By L. F. GIELISH, Bourk-Donaldson-Taylor, Inc., Denver, Colo.

Gentlemen:

We find your balance up to and including November 10th is $139.54 and goes back to and including invoice of September 20th.

At this time of the year we are obliged to hold our accounts as closely in line as possible as our own obligations mature with a very definite regularity and our credit rating is based accordingly.

We have no alternative but to ask our customers that they take care of our statements promptly each week. We know you will appreciate the reasonableness of our request and let your check come forward as early as convenient to bring the account in line.

"All of our collection letters are dictated and we believe it best to handle each account in an individual manner, based upon personal knowledge that we may have of a customer," Mr. Gielish writes us.

"Our idea is that this letter brings to the attention, at a first glance, the condition of the account; second, tells him why the obligation should be paid promptly, and last, still keeps in mind that the statement should be paid each week, sliding off in a courteous way of taking the sting out of the first paragraph.

"We try to write all of our letters in a courteous, short and to-the-point manner, giving the facts in every instance, as 95% of the customers nowadays realize that the wholesalers are doing their very best to abide by terms, and a short courteous letter, in our estimation, will have the desired effect."

Supplementary to your collection letter efforts there should be reliance on Credit Interchange reports. With interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here as a monthly feature.

Send us your best collection letter for our "collection of collection letters" which we are gathering for our readers.

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

TESTED COLLECTION LETTERS. By Chester H. McCall, Assistant to the Secretary of Commerce, formerly editor of Credit and Financial Management. Falcon Press, New York, N. Y. $5.00.

As editor of the monthly magazine of the National Association of Credit Men, Chester McCall was very active in the forum of new thought and research on improved credit practices. The development of better collection correspondence was an important theme in the educational program fostered by N. A. C. M. and its magazine during Mr. McCall's régime as editor. So it is as an authority, who has directed modern thought on this important subject, that Mr. McCall presents his first business book, "Tested Collection Letters."

The collection letters presented by the author came under his observation during the time he edited the magazine. Several years back he began the department called "This month's collection letter" in which was presented the best letter submitted during that month by readers of the magazine. It was a difficult job to select the letter for each issue as almost every letter submitted had much merit and the choice for the magazine resolved upon such matters as novelty of appeal rather than merit of the individual letters. In the course of the months Mr. McCall directed this work he gathered a large collection of valuable letters which he now has arranged quite skillfully in his new book.

The author says in his preface that his new book is "a handbook, not a textbook" of collection correspondence. It seems to me, however, that "Tested Collection Letters" is both a handbook and a textbook. It will be considered as a handbook or suggestion guide by the experienced collection executive but could very well be studied as a textbook by the tyro in credit work. By way of explanation we mention that Mr. McCall has arranged his book in twenty interesting chapters, each one being devoted to some particular collection letter appeal.

While the author presents some instructive comments on many of the letters, he also has done an excellent job in editing and arranging the comments of the authors of the letters as to how each one was used and how successful each was in meeting the job it had to do.

In some of the chapters the author discusses such important subjects as Terms of Sale, Cash Discount, Monthly Statements, Collection Systems, Collection Statistics, Interchange and Collection Aids. "Chet" McCall has accomplished a good job in his "Tested Collection Letters." We feel sure every credit executive will find this book a "good working tool" in his craft.

—R. G. Tobin

Our dollar: Some like it not; Some like it gold.

KEMMERER ON MONEY. By Edwin Walter Kemmerer. J. C. Winston Co., Phila., Pa. $1.50.

Dr. Kemmerer has achieved an international reputation since the World War as monetary advisor to a dozen governments. Here is his money philosophy expounded in connection with recent events in this country.

The Princeton Professor is in the conservative school. Gold is the best standard, although it admittedly isn't perfect. It is the only standard, he believes, offering early hope of being an international standard and today's problem, therefore is not the scrapping but the bettering of this standard. Accordingly, he sees little worth in the gold purchase plan although pointing out its possibilities as a price-raising scheme. And greenbackery is completely repugnant to his views. In this connection he recounts the history of the greenback inflation of the third quarter of the past century in this country and in the early twenties in Germany.

As to silver, a terse line from one of the chapter headings has more point than almost anything else the foes of silver have as yet brought forth. It states: "Seven states produce silver to the value of one half of our peanut crop, but these states have fourteen Senators."

The commodity dollar has a possibility of success, he feels, but that requires an international price index number and international cooperation which are not to be counted on, by any means, at the moment. The commodity dollar, he points out, could deplete the gold reserve during a long period of rising prices, encourage speculation, promote instability in foreign trade, and might well become a political football.

And so he comes to stabilization, which he advocates at 66 and ⅔ cents. As to the means of stabilization, he paraphrases Salmon P. Chase's classic remark concerning resumption of gold payments—"the way to resume is to resume"—and declares that "the way to stabilize is to stabilize." The two billion dollars of profit from stabilization should be used for reducing government indebtedness to the Federal Reserve Banks and thus making them business banks, not fiscal agents for the government. All in all, this volume is essential in studying the money problem.

—Paul Haase

DOLLARS. By Lionel D. Edie. Yale University Press, New Haven, Conn. $2.50.

"Dollars" is just about the most sensible book of the depression. Dr. Kemmerer, in the volume previously noted, presents the case of the so-called "old school." Here in "Dollars," Dr. Edie brings interpretation of the "new school" and an appraisal of its advocacies and their possible consequences.

The American people, he observes in his opening paragraphs will probably get, over a period of time, the dollar they fundamentally desire. Such a dollar, Doctor Edie opines, will be one that commands confidence at home and abroad, has a metallic base primarily gold (with national and international stability), and avoids the extremes of drastic inflation and deflation. And because monetary power has moved recently from independent to political

(*Continued on page* 34)

Pioneers and traditions

(*Continued from page* 21)

In the spirit of the times, Mr. Whitlock, then retiring from the President's office, was presented with a silk American flag and a Liberty Bond. Mr. F. B. McComas of Los Angeles, one of the Association's prominent figures, was elected President and with him Curtis R. Burnett of Newark, First Vice-President, and A. E. Gilster of St. Louis, Second Vice-President.

Coincident with this credit congress, a counter-drive was launched by General Foch. The German drive was brought to a standstill. The boys of our Expeditionary Force were displaying American mettle in Flanders and the Argonne. This counter push was constant until the invasion of German soil seemed near at hand. With foes before and behind, the German Military Command ceased its struggle and agreed to an Armistice that became effective November 11, 1918.

In the Association's activities, State Conferences were proving attractive to the credit fraternity. They had an educational and fraternal value that won popularity. More than twenty of these conferences were being held each year and they comprised thirty-nine States. At an Indiana Conference, held during this cycle, Mr. Henry H. Heimann, the present Executive Manager, made his first Association appearance. He won immediate recognition by his personality and economic knowledge. These Conferences were so successful that a position of permanency was given to them in the National program.

The Federal Reserve System had borne the stress of the unusual war financing without faltering. When 1918 ended the twelve Federal Reserve Banks possessed more than two billions of gold, they had resources of more than five billions with deposit and note liabilities of nearly five billions. The reserve ratio was a shade below 45%. These statistics indicate how big a task the System had borne. The production and export of goods during the two war years resulted in a favorable balance of more than six billion dollars, a large portion of this balance became obligations of our Allies. The net import of gold during the two years approximated but two hundred million dollars.

When the exuberance of feeling over the Armistice subsided, there arose naturally these questions: "What will the immediate future develop? Can industry and its allied activities absorb the demobilized men? How will prices be affected by the peace?" Deprivations in food and fuel had been demanded as a war measure, but no irritations were discovered. The people at home had as a rule fared comfortably in income. Labor was doing well financially, spending power had increased. There was a higher-price mindedness,. and many pockets were bulging with the fruits of "war brides."

Economists put their laboratories to work. Labor experts became deeply interested. The conclusion seemed only natural that with the return of two million men to private enterprise, prices would decline and labor would be overstocked. A committee of research, carefully selected by the Executive Manager, viewed critically the angles of this problem and reached the conclusion that instead of declining, prices would advance, and that all usable labor would find work to do. For a few weeks after the Armistice prices wavered and declined but with the turn of 1919, the committee's forecast was verified. Prices took an upward spiral with a general production activity that (*Cont. on page* 32)

Character vs. collateral

by WAYNE OTIS,
President,
Lansing, Mich., A.C.M.

During the first 30 years or so of this 20th century, most of the credit was extended in this country with a primary consideration for the three famous "C's", character, capacity and capital. Recently, however, it seems especially during the last several months that our bankers have added a 4th "C", namely collateral. To begin our discussion, let's have a definition for character and one for collateral.

Character, I believe, might be defined as the sum total qualities of an individual both good and bad, especially those traits that mainly control conduct. Collateral is defined by Webster as "security to one's obligation."

After considering these definitions it occurred to me that my topic might also easily have been called "The man versus the means" or "Reliability versus Resources."

We all have the greatest respect for those bankers who are today watching out for the welfare of their depositors and realize that it is absolutely necessary in many instances to demand collateral of a highly liquid nature. However, if our banks in determining whether an individual is entitled to a loan give more weight to what the borrower has in the way ef property which he could pledge as security to his loan than they do to what the man really is himself, then they are striking a blow at one of the very things which has made America what it is today, and that thing is individual initiative and self-confidence. They are discounting to a certain degree man's God-given power to think. The only difference between man and animal is that man can think, whereas animals act by instinct.

Psychologists tell us that the human brain is the most complicated piece of mechanism on earth; that the entire machine age is but a very minute reflection of its possibilities. Psychology, the science of the mind, can be said to have started with Pythagoras, but there have been no established and tested principles until recent years, and the very word itself has come into ill-repute because of trick usage by advertising writers, high-pressure salesmen and queer religious cults. When we take steps which discourage an individual in using to his greater advantage this marvellous piece of mechanism called his brain, then we are definitely taking steps in the wrong direction.

I do not mean to infer that a borrower—whether it be an individual, partnership or corporation—will not exert every reasonable means to retire a note at maturity and redeem the collateral in case the loan was made on this basis, but I do believe that if I—and I think if any of you were that borrower—we would strive even harder to repay the loan if it had been made to us on our character and reputation.

Pride in ourselves and faith in our own ability have much to do with our success in any given endeavor. When we add to that pride and self-confidence, the knowledge that our banker also has pride and confidence in us, we become possessed of added power and energy with which to forge ahead to success. If a man can borrow or obtain credit with his own character as the only basis for credit, he has at the beginning a reputation to maintain, and I believe it is generally agreed that a thing—whether it be an individual fortune, a corporation's success, and a nation's prosperity—is harder to maintain than it is to acquire.

It is surprising to the uninformed how many people are subconsciously under the impression that if it becomes necessary to forego the payment of a loan secured by collateral, that the lending corporation or bank will simply sell the collateral and call it a day so to speak. Many borrowers—especially individuals buying real estate either on contract or mortgages—are really unaware of the fact that they are still liable for the unpaid balance after the property has been sold to the highest bidder.

It was probably unnecessary for me to mention this fact but I brought it out to illustrate further the point that a loan made on character is both granted and received with a much greater consideration for the element of human understanding and confidence than is the case where the transaction is consummated through the use of cold, lifeless—an instance has been known—valueless collateral.

Perhaps it will interest you to learn that approximately 85% of all bank loans in Canada are made with character as the only basis for credit. This is more interesting when we consider that Canada does not have a single bank with assets of less than 50 million dollars; that they have only 10 large banks operating approximately 4,000 branches, over 100 of which are in foreign countries. As many of you know, they have had only one bank failure since 1921. Canadian law forbids making real estate loans by banks, and since there is only one banking code for the entire dominion (we have 49 different sets of laws) Canada has not been cursed with the kind of competitive situation which we have had in this country between our national and state banking systems.

The story is told that J. P. Morgan once loaned a man a million dollars. When asked if he wanted collateral he scorned the idea, remarking that the borrower had character and that was the only collateral he wanted.

To summarize in a few words these observations, credit is a method of exchange. It is the power to purchase merchandise or services on the promise to pay at some specified date in the future. If our banks are going to demand collateral they are saying in effect to the borrower one of two things—either I do not have confidence you can pay, or I do not have confidence that you will pay. To my mind it is far more serious for us to lack confidence in a man's ability to pay than to doubt his willingness to pay.

Mutual interest

Two men were traveling in the smoking compartment of a train. Presently one, hoping to break the ice, asked his fellow traveler for a match to light his pipe. After this had been granted they began talking.

"What's your line of business?" asked the first.

"It may sound strange," said the other gentleman, "but I'm a pepper seller."

The first man threw out his hand. "Shake," he said. "I'm a salt seller."

—*"Kablegram."*

Cold on the groom

Usher (at wedding to cold, dignified lady): "Are you a friend of the groom?"

The Lady: "Indeed, no, I am the bride's mother." —*Illinois Siren.*

Sales-credit symposium

(*Continued from page* 9) stitute the initial part of the complete sale. Securing the order, as well as a proper understanding of the customer's requirements on the part of those who fill the order; proper packaging and proper shipment as it pertains both to transportation and to meeting delivery requirements, contribute another essential part. While the final, and perhaps most vital phase, lies in securing prompt payment of the invoice when rendered. To continue to permit a sales force to consider an order a reward in itself, rather than the profit resulting from the sale, is to contribute to the lack of harmony of which I have spoken.

"A substantial part of the training period of each salesman should be devoted to credit work. The kind of training is important, and the spirit in which the training is given is of even greater importance.

"Certainly, the future salesman should not be made to feel that the instruction he is to receive constitutes a necessary nuisance which the credit department must endure. Rather should he be made to feel that the entire department is devoted to his education and that each member of the department is vitally interested in having him acquire as much of an understanding of credit work as is possible during the time allotted to this study.

"Little can be gained by assigning him to definite detail work and keeping him at each task for weeks or months before moving him to the next more important position. Better far to have him associate with men who are working on various desks, absorb as much detail as is possible within a reasonable time, and then permit him to run the desk for a day or two for concrete experience. This can be carried on until the salesman is actually doing the work of one of the assistant credit managers, under the latter's supervision.

"In this way, a better comprehension of the credit department's problems, its policies, its analyses and determinations, and the reasons for them, may become an integral part of the salesman's knowledge of selling—a part, I might add, which will continue to pay dividends throughout his entire career.

"Since credit work is essentially a part of merchandising, credit departments of the future will, I believe, be more closely allied with sales departments than has been true in the past and, as a result, will become more sales conscious.

"Continuity of demand exceeding supply, firm prices, near capacity production—all have contributed to arrogance in organizations. Certainly was this true in sales work—perhaps it was likewise true in credit work. Where securing the order meant little of consequence to the supplier whose plant was working at full speed, a disdain of small orders requiring special consideration, involving custom manufacturing, or complicated financing, became inbred.

"Fortunately, the troubled times through which we are passing have helped to correct these conditions and have brought home to us, forcefully, that we suceed in direct proportion to our ability to serve. The word 'SERVIVE' during the last year or two has carried a new significance to every department of every branch of industry. To the credit department, it should mean, not only the checking of financial statements and agency reports—important as these are—but a will to book every piece of available business on some basis, mutually satisfactory to buyer and seller.

"One recognizes that this entails constant rechecking of the status of those accounts which yesterday's survey identified as unworthy. It means, in addition, periodic visits to every doubtful account to secure first-hand information which alone can be secured in this way. In short, sales work, initiated by the sales department, must be supplemented by actual visits by members of the executive staff of the credit department, in each and every case where this action may in any way improve the possibility of securing profitable business.

"The very life of those concerns which yesterday constituted our outlets to the ultimate consumer, will tomorrow depend almost entirely on your help. Today, they struggle along, sustained in part by the small demands for capital occasioned by negligible volume. Tomorrow, with larger volume in sight, they will rise to new heights, restoring lost surpluses, or sink to oblivion. If the merchandise creditor is to fill the place, which of necessity he must fill in the reconstruction era which lies ahead, I feel that in a large part the future success of the respective companies which are represented here will depend on your cooperation and your vision."

Of course

A fisherman spied a snake which had just caught a frog. Desiring the frog for bait, he tried unsuccessfully by prodding and other means to make the snake release its prey; finally he pulled out a flask and poured a little liquor in the snake's mouth. The snake dropped the frog and slithered away.

Some time later, the fisherman felt a tug at his trousers, and found the snake, looking up expectantly—another frog in his mouth.

—Fetter Clippings.

Pioneers and traditions

(*Cont. from page* 29) clogged distribution channels and put commerce in a buzz of excitement. There was an intoxication in the commercial atmosphere that turned the heads of the people. They became extravagant, set aside thrift, were heedless of signposts and dashed on to the inevitable that always closes such unthinking periods. Commercial failures declined, credit departments were lulled into unsound security. The Association endeavored to show that it was largely a fool's paradise, but calmness of judgment was "not on the cards" in this hectic period.

The credit picture in 1919 was fraught with danger, but the people went merrily on. The strain on the Federal Reserve System tightened in this excitement, at the close of 1919 the ratio of reserve to deposit and note liabilities in the Federal Reserve banks had receded below 40%.

The Convention of 1919 was entertained in Detroit. The opening session blazed with enthusiasm. An address by Dr. B. M. Rice of Detroit on "Character" became an Association classic. Mr. Edward J. Cattell, for long a friend of the Association, also enthused the gathering. A. J. Peoples of Detroit was everywhere in evidence as one of the sincere hosts of the Convention. The event was splendidly carried through.

The service departments of Interchange and Adjustments, through the war period and the cycle under review, accelerated their paces and demonstrated more than ever their protective abilities. A central interchange system, promoted first under the sponsorship of the St. Louis Association, was now converted into a nationally controlled plan. When E. B. Moran was mustered out of service he became manager of the Interchange Department. The Adjustment Bureau department moved along steadily, and Victor Robertson of St. Paul, enthusiastically directed several supervising committees of this department. Bureaus were now available in 83 Association cities. The time (*Continued on p.* 36)

"Two-ten, net-sixty and . . ."

by RAYMOND V. WALL

Today the credit department receives many different excuses from customers when demand is made for payment of the account long overdue. The excuse that seems to be used more often than others is the one telling of the many promises made by the salesman at the time the order was taken.

It is evident that terms and the conversation in regard to the return of merchandise are not made clear. Much progress could be made toward the collection of an account if the customer was made to understand under what term and conditions the purchase was made.

When talking to a customer when demand is made for payment, or after receiving reply to a collection letter sent out, we about come to the conclusion that the only thing that the salesman failed to include as a promise with the order was an interest in our company or a "trip to Bermuda". Let us stop for a moment and consider that the customer or buyer has signed the order of his own free will. Isn't he just as much to blame, in many cases, as the salesman that makes the many promises? The buyer, however, forgets this when the many promises do not come with the merchandise and it remains on the shelves unsold.

No doubt in these days of keen competition all salesmen are inclined to include a few extras with the order so that he may get his line of goods into the customer's store, at the same time making parts of his sales quota—and his salary? It does not seem possible that anyone in business today is buying any line of merchandise unless they believe that the product is a good seller and that it has a good margin of profit.

Printed on almost all order forms are the terms and conditions of sale, and usually some statement (in small print) that the company will not be responsible for any promises made by the salesmen unless they are expressed in writing and confirmed from the home office. Even though the buyer may see this clause and know of the terms and conditions under which the seller is taking the order, the buyer will sign the order and think no more about the matter until time comes to make payment of account.

Then, in the event the merchandise has not moved out of stock, this buyer will decide not to (*Continued on p. 35*)

In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Couches in offices! ! ! !

Ridiculous! Yet seriously urged by Ray Giles, prominent advertising man and author of "Turning Your Imagination Into Cash." Scientifically sound, too. For rest re-creates energy. So-called concentration is a matter of spasmodic action—attack alternating with rest. Work done against fatigue often needs re-doing. Relaxation frequently stirs up the mind to new creative effort and enables you to accomplish more and better work.

While office couches will probably remain an individual matter, the habit of a little "break" in the afternoon's work is growing. Ten or fifteen minutes is set aside—usually between 3 and 4 o'clock—for chatting, stretching and regaining energy to wind up the day at top speed. The English custom of tea is not general (*although it is successfully done here even in factories*) *but* may grow in favor. It is not, as many think, an inefficient custom. Quite the reverse. It effectually dissipates the jittery "last hour" atmosphere that breeds errors.

New typewriter keyboard

The Carnegie Foundation for the Advancement of Teaching has recently granted Dr. August Dvorak, of Seattle, Washington, $3,700 for continuing his research work for a simplified typewriter keyboard. At the typing competition at *A Century of Progress* in Chicago, last year, students using the Dvorak keyboard won first, second and third prizes. The new keyboard permits writing seventy percent of the words in general use without reaching up or down from the central bank of letters. It can be mastered by students in about half the time required for the present standard keyboard. When perfected, the new keyboard may mean faster typing and fewer mechanical errors.

Bound volumes of NRA codes

Washington.—NRA codes of fair competition approved under the national industrial recovery act are being compiled in bound volumes and can be purchased through the Superintendent of Documents, Government Printing Office, at $1.50 per volume.

The codes are arranged in chronological order, with amendments, supplemental codes, executive orders and administrative orders and, it is believed, will in this form facilitate the refrence needs of industries and persons directly affected by code developments and be of value to all who are interested in following the progress of industrial codes.

Volumes 1, 2 and 3 have just been received, the NRA states. The first volume runs from July 9, 1933, to Oct. 11, 1933. The second is from Oct. 12, 1933, to Nov. 10, 1933, and the third covers Nov. 11, 1933, to Dec. 7, 1933. Subsequent volumes will be issued as they are prepared by the code record section of the recovery administration.

Handy costumer

Milwaukee Chair Company has developed a new type of costumer called the *Rack-ette.* When closed this is costumer of standard design. When extended, it becomes a sturdy metal clothing rack four and one half feet long (a horizontal metal pole connected with two uprights). Occupying no more space than an ordinary costumer, the *Rack-ette* is ready for any extra demand for hanging space and is very welcome on wet and snowy days when garments need more space for hanging.

This and that

New loose leaf notebook by National Blank Book is extra thin and weighs only one ounce. Three quick opening ring binders—leather or imitation leather cover—25 leaves in each book—called "Slim Jim." Welcomed by those who hate to have their pockets bulge. . . . Useful combination linoleum desk pad and work distributors developed by G. J. Aigner Manufacturing Company (Chicago). Many designs. Extra careful workmanship. Six pocket, indexed, flat distributors on each end of standard desk pad. Distributors can be folded over pad when not in use. . . . The Todd Company has introduced a new Protectograph, Model No. 33. Newly designed and enlarged numerals, two-color ribbon inking principle. In appearance one of the finest models the company has ever shown and said to be even better in performance. . . . A 12 inch, standard globe, fully graduated, noiseless, die-cast meridian, fork and stand, with accurate, legible and detailed maps has been produced by Replogle Globes, Inc. (Chicago) to retail at $5.00. . . . If globes and atlases are among your hidden vices you will like this one. . . . Speaking of atlases, saw some of those big Complete Atlases, with all kinds of maps and all sorts of information, including the 1930 census in a bookshop at $5.98. They usually run around $25.00. . . . We have always found these books mighty useful around an office. . . . If you are interested, send us a stamped return envelope and we will send you the name and address of the shop . . . not that we are a Shopper's Guide but this seemed to us something you might find really worth while.

—H. P. PRESTON.

Books

(*Continued from page* 28)

authority, we must expect a reconstruction of the gold standard and "a redetermination of the international position of the dollar."

To members of Dr. Kemmerer's following, Dr. Edie may seem radical. Actually, he is one of the most conservative of the group who are working "in the direction of a permanent and orderly monetary system." He believes devaluation to a 50-60 cent level too much and, therein, he coincides with Kemmerer. The difference between the two men is fundamentally one of approach. Kemmerer recognizes the ills of the world but defends the gold standard whereas Edie, acknowledging our ills, realizes that the public will demand changes and is, through his book, attempting to guide opinion in the proper channel. At heart, both are "sound-money" men. But Edie never forgets "the human equation" and its influence.

"Kemmerer on money" is the background for the play now in progress; "Dollars" is a synopsis of the play's motivation. Both are excellent in their own way.

—P. H.

"Two-ten, net-sixty"

(*Cont. from p.* 33) tie up his money in the stock and think of the idea to write back to the credit department advising that either extended terms were given or some other excuse about the salesman promising to go out and help sell the stock for him. When asked for this promise in writing they usually refer you to the salesman, who may no longer be with the company. Then the trouble begins.

The courts have decided in many cases that a traveling salesman in the employ of a manufacturer has no implied authority to enter into an agreement with the customer for anything other than the authority given to him according to the terms and conditions as stated on the company order form.

We often wonder whether or not the customer has gone out and honestly made an effort to sell the merchandise or has just waited for the manufacturer's salesman to come along and sell the stock for him? A sale is neither complete nor is it profitable until it is paid for in full and the conditions that are existing at the present time can never be corrected until the manufacturers take a decided stand and in a tactful for firm manner have it understood that a bill of goods going out on order is for resale by the buyer and not to be taken back by the maker, and that terms as stated as to be met on due date.

Proper merchandising methods, regulation of production, and a better understanding of terms will help to prevent another condition such as we are now experiencing in business. It has been said that "Business men fail because there are a lot of them who are fools". We are all born fools, but some of us educate ourselves out of it.

Marriage

A young couple wishing to get married, went to a minister's house one evening just as he was ready to leave for his service. The preacher explained to them what he considered a way out of the difficulty.

"You two come to the evening services, and at the close come forward and I will marry you."

They agreed to this and when the minister had completed his sermon, in order to give them the cue to come forward, announced, "All those desiring to be married come forward."

Thirteen women and the one man started for the altar.

—*"Kablegram."*

J. E. Ziegelmeyer, a director of the Dallas Wholesale Credit Men's Association, who has been elected vice-president of the Huey & Philip Hardware Company of that city, in charge of finances and collections in the wholesale department. Mr. Ziegelmeyer has taken a leading part in the deliberations of the Dallas association and is a booster for the benefits of associations in credit work.

The challenge of NRA

(*Cont. from page* 12) soon began to see a little more clearly the ultimate effect of some of the demands it had made. Labor has a way of seeing clearly, usually much more quickly than industry.

An experience in Washington will convince anyone that the best organized, most solidly-grounded group is the labor group. Some of the demands made by labor were extraordinary, were injudicious. Labor took stock of itself and discovered that if it asked and received all its demands, it might be cutting off its nose to spite its face. That, of course, would never do. So labor retreated and became more conservative in its demands.

At about this time industry, somehow or other, got its second breath and began to come back to the National Industrial Recovery legislation. Once again the rainbow appeared in the industrial skies and industry suddenly took up the spirit of it and began to accept it in all of its workings. Big industry particularly liked it because it set a certain standard that the small loft manufacturer had never followed. His upper-story chiseling operations undermined the foundation of big business. These were tabooed in the codes. Soon a number of codes were put into operation, earnings statements began to appear, red ink began to disappear.

The consumer (*Continued on page* 40)

Pioneers and traditions

(*Cont. from p.* 32) was rapidly approaching when the department should be placed under a National manager.

The legislative report at the Detroit Convention was again most interesting and reflected very earnest work. Bad check laws were obtained in four States, stronger Bulk Sales Laws were obtained in Idaho and Pennsylvania. Wisconsin contributed a Commercial Arbitration Act.

The membership report dazed the Convention. F. M. Couch of Los Angeles, a man of unusual ability and energy, had directed the year's activities and he reported to the Convention three new Associations and 4,916 new members. The national organization had now grown to 29,552. The record of Mr. Couch's Committee remains unsurpassed in the Association's annals.

Curtis R. Burnett of Newark, a gentleman of strong appeal, became President and with him were associated H. E. Choate of Atlanta, First Vice-President, and W. B. Cross of Duluth, Second Vice-President.

The breaking of 1920 found the country in a dangerous economic situation. The upward spiral of prices had persisted and the index stood at 249, an increase of more than 60 points since the war had ended. The buying of goods was carried on in a senseless fashion. Three units were frequently ordered when but one could be used. Factories were deluged, wholesale and retail outlets could not keep goods on their shelves. The upward spiral continued until April, when the index reached 272, then with an inevitability, the consumer could reach no higher, there was a wavering and a downward tumble began. Goods had been hoarded for speculative profits. A silk panic broke out in Japan, rubber prices fell rapidly and soon there was a scrimmage among distributors and producers to save themselves. Orders were cancelled with no sense of honor, and altogether a page was written in our economic history that should always challenge our sincere regrets. The Association strove with all its powers to check the wildness. It was a costly case of credit astigmatism and clearly showed that we lacked training for serious emergencies. Throughout its career the National Association of Credit Men withstood every temptation to follow the lines of least resistance. It was founded in morality and it never budged from this foundation.

Among the interesting developments of this cycle were facilities in the field of foreign credits. Appraising the credit of foreign buyers had been done without the guiding information so generously available in domestic credit. There was now a growing interest in building a foreign credit technique. The National Foreign Trade Council arranged for a symposium on foreign credits at its Convention of 1917, for which our Association furnished the program. Since that time, the annual meetings of the National Foreign Trade Council have provided for a conference on foreign credits. C. E. Thomas of New York was the pioneer in this department. L. R. Browne of New York and W. E. Tarlton of St. Louis cooperated splendidly in building the department's facilities. A close cooperation was developed with the Department of Foreign and Domestic Commerce. Eventually a Foreign Credit Interchange Bureau was launched, and B. B. Tregoe was selected to manage it.

As a unique feature of credit service, the idea of building merchants who had become weak and yet could be saved, arose at this period. Under the inspiration of H. Uehlinger of Brooklyn there

was launched as a National work the department of Business Service. A budget for the nation was ardently advocated by the Association when the subject was presented publicly. Its best powers were given to this project until the enacting bill was passed in 1919.

The Association's silver anniversary convention convened in Atlantic City. It was an enthusiastic gathering, with gratifying committee reports, interesting entertainment features and instructive addresses. The membership had again made a remarkable advance under the direction of R. H. Myers of Chicago. Three new Associations and 3,440 new members were added. The Association had now reached a total of 33,092 that made it the largest commercial organization in the world. During the four years of this cycle, 12,312 members had been added.

A gentleman of unusual appeal, W. F. H. Koelsch of New York, was elected President, W. B. Cross of Duluth, First Vice-President and J. E. Norvell of Huntington, West Virginia, Second Vice-President.

The "Grim Reaper" had taken a heavy toll of our notables in this cycle. Charles Biggs of New York, the Dean of Credit; F. R. Salisbury, the President of 1912; F. M. Gettys, the President of 1907; S. D. Buck, a pioneer in Baltimore; J. E. Porter of Pittsburgh; Frank S. Evans of Philadelphia, and J. R. Ainsley of Boston, all distinguished for their workmanship, were called into the Great Unknown.

1920 closed in a confusion of the business outlook. Moral courage had been found lacking. The appeals of the Association had been disregarded and the downward spiral of prices had chiseled away at least a billion dollars from inventories. The picture offered by the Association at the close of 1920 was most interesting.

Thomas K. Cree

The credit fraternity, not only of Pittsburgh but also throughout the entire country will mourn the loss of Thomas K. Cree, who passed away on Wednesday evening, March 21st. For many years no one in Western Pennsylvania was more active in his effort to advance the interests of sound and constructive credit management. His interest was demonstrated through years of service as Director of the Pittsburgh Association of Credit Men, as its president for two terms and as Director of the National Association of Credit Men.

Ulmar H. Allen

Dayton credit executives were deeply shocked when, on the 6th of March, Mr. Ulmar H. Allen, of the Stanley Manufacturing Company, and President of the Dayton Association of Credit Men, passed away one day after he had been taken to a hospital following a three months' illness in his home.

Born in Seneca, Kansas, where he spent his boyhood, he spent one year at the University of Kansas and then came to Antioch College at Yellow Springs, Ohio, where he took a four-year course in Business Administration. At Antioch, he was President of the Student Governing Body, and, upon graduation, spent one year at Ohio State University, studying law. In 1926, he took an extended trip to Europe, visiting England, France, Germany, Spain, and Italy.

Upon his return, he became associated with the Stanley Manufacturing Company as Credit Executive, and had been with that firm since that time. He represented his firm in the Dayton Association of Credit Men and had been a staunch supporter for the six years in which he was a member. He had served as a director of the Association and was elected President in May 1933. He leaves his widow, his mother, two brothers and a sister.

T. Homer Green

(*Continued from page* 21) **matters, he had written many articles on different business subjects, contributing a piece on charging interest on past-due accounts to the November, 1931, of Credit and Financial Management.**

Notes About Credit Matters

Dallas changes

All credit service activities in the Dallas, Texas, territory are now under the direct supervision and control of the Service Corporation of the National Association. The negotiations toward this end were instigated at the request of the local Boards of Directors and members in Dallas. Support of the new plan is not confined to Dallas but has been given enthusiastically by others, members of the Association in Fort Worth and other cities in that region. The plans call for a development and expansion program covering the territory in that section of Texas.

This plan of operation is now in effect. Effective as of April 1st, Leland T. Dysart will assume his duties as Manager of the Service Departments and Secretary of the Association. Mr. Dysart is completing a three-year term as a member of the Board of Directors of the National Association and his activities as a member of that Board have made him well and favorably known through the country.

For a period of fifteen years he has been associated with the Dallas branch of the Graybar Electric Company, which branch has for its territory all of Texas and parts of Louisiana and New Mexico. A part of his time with the Graybar Company was devoted to his work as promotion manager. For more than twelve years he has been in credit work, first as assistant Credit manager and later as credit manager.

During his affiliation with the Dallas Association, he has filled all of the major offices in that organization. He has also been quite active in various civic enterprises and movements in Dallas and has acquired prestige in that community which will be highly beneficial in his new connection. We are glad to announce also that Mr. M. L. Barnett, whose services as Secretary-Manager in Dallas during the past year have made many friends for himself and the Association, will continue with the organization.

Distribution costs

The effects of the recovery program on distribution costs were discussed by Wroe Alderson, Assistant Chief of the Domestic Commerce Division of the Bureau of Foreign and Domestic Commerce, in an article for the first issue of "American Marketing Journal."

Mr. Alderson expresses the belief that the role of volume in reducing distribution costs has been over estimated by some writers, the findings from various studies having shown that after a certain size of retail unit has been attained greater volume of business reduces operating costs but little.

In discussing the reduction of costs, he questions the assumption that many intangible costs, such as advertising and administration, can be greatly reduced, and recommends consideration of the following possibilities for lessening costs: (1) Cost analysis, which will show practices to be eliminated; (2) Market measurement, which can be made more effective by new wage data available through NRA; (3) Development of commodity standards and specifications which will help the consumer to react intelligently to prices; (4) The regulation of competitive abuses, as of "loss-leader" selling; (5) Improvement of buyer-seller relations, lessening abuses of service privileges by consumers, such as consumer returns of goods.

Who buys the insurance?

Company treasurers are the executives most commonly responsible for placing insurance, a survey recently made among its subscribers by System and Business Management shows. Companies in 17 cities answered the question "Who buys the insurance in your company?" in this survey, 53 percent of the companies indicating that the treasurer is most concerned in the placing of their insurance, and 11 percent that the comptroller carries this responsibility.

When asked about the number of executives concerned in the placing of their insurance, 63 percent of the companies said this was handled by a single executive, 24 percent by two executives, and 13 percent by more than two individuals.

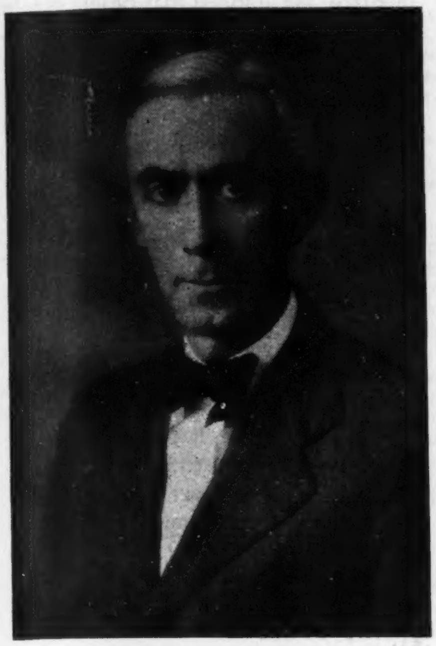
In addition to the treasurer and comptroller, who together accounted for nearly two thirds of the total number of executives who had this activity in charge, the executives mentioned by the companies ranked in importance from the standpoint of number involved as follows: Assistant treasurer, secretary-treasurer, auditor, secretary, president, vice president, general manager, insurance manager, cashier, and assistant to president.

Buffalo, N. Y., credits

On March 1 a rise to 21.3% in the ratio of overdue to outstanding accounts of 22 wholesale concerns in the Buffalo area cancelled the favorable decline shown on February 1. This was because the gain of 8% in outstanding accounts was overshadowed by the 30% increase in past due accounts. When compared with last year the value of outstanding accounts increased 34% accompanied by a rise in past due accounts of 29%.

There was little change in the ratio of overdue to outstanding accounts in the food group from February 1, 1934 to March 1, 1934 since both the outstanding accounts and the past due accounts increased about 4%.

Credit careers



J. FRANK WOOD

J. Frank Wood, Treasurer and Credit Manager of the Richmond Dry Goods Co., Inc., Richmond, Va., has followed the theory that a Credit Manager should be a producer, in addition to safeguarding credits and handling collections.

With several thousand customers on his books, located up to 1,000 miles from Richmond, Mr. Wood has made it a point to visit among his customers, and there are not many that he does not know personally and has talked to in their places of business. This has furnished him with a vast amount of first hand information, which has been not only of inestimable value from a credit standpoint, but has added substantially to the sales volume.

Another advantage of Mr. Wood's policy of personal contact is that it promotes a closer understanding and co-operation between the Sales and Credit Departments. He has also prevented failures by being in personal touch with situations before it was too late, and where failures were unavoidable, has assisted in their constructive handling.

Charging interest on past due accounts is a policy which Mr. Wood has consistently followed, and his interest collections have been of sufficient size to carry a substantial portion of the Credit Department expense and without injury to good will. He believes this policy also desirable as a penalty for slowness and an incentive for prompt payments.

Locating in Richmond, Virginia, in 1917, Mr. Wood became Treasurer and Credit Manager of the Richmond Dry Goods Co., Inc., after ten years of Mercantile Agency service. He promptly became active in the Richmond Association of Credit Men, serving as Director, and later President, and almost continuously on the Board of Directors. In 1924, he took a leading part in reorganizing the Richmond Association, when its Service Departments were materially enlarged, and its territory expanded by taking in practically the entire State of Virginia, and all of North Carolina and South Carolina.

In 1925, Mr. Wood was elected a Director, followed by two terms as Vice-President of the National Association of Credit Men for the Eastern Division. He was a member of the original Fraud Prevention Committee, and has taken an active and leading part in all Association activities.

In addition to his duties with the Richmond Dry Goods Co., Inc., Mr. Wood is Treasurer of the Textile Finance Corp., and a member of the Rotary Club. His hobbies are horseback riding, and being "big brother" to a young lady daughter.

Honesty vs. dishonesty

Cleveland.—Dishonesty and corruption in private business and among bankruptcy attorneys were roundly flayed by two speakers before a forum meeting of the Cleveland Association of Credit Men. Hugh Wells, secretary-manager of the association, discussed compositions and extensions, and Parker Fulton, first assistant United States attorney in Cleveland, talked on prosecution of commercial fraud.

Mr. Fulton expressed the opinion that there is more corruption in private life than there is in public life. He has been leading the prosecution in a local bank scandal which recently resulted in conviction of two executives. He weighed the difficulties of trying commercial or financial fraud cases before judges elected to office, who must consider their decisions in the light of public reaction, and he recommended that such courts be appointed to office or be elected to a long term with no right to run for re-election.

Almost every composition offered in Federal bankruptcy court is tainted with fraud, declared Hugh Wells. Why? "Because they could buy the assets cheaper," he answered. But with a composition, debtors get a discharge and they hold out the higher price to creditors as a bait. Most compositions are too readily accepted. Not only should creditors investigate suspicious cases, but they should also make sure that the debtor cannot pay more than he is offering. Most of them can, said Mr. Wells. He also pointed out that a fraud prosecution is almost impossible once the creditors accept a composition settlement.

Mr. Wells urged care in placing the claims in such cases and told of the machinations of some corrupt attorneys who "sell out" their clients to attorneys for the bankrupts. He cited instances where certain attorneys here, working in collusion with attorneys for the bankrupt, had solicited claims. In one instance the letter was simply signed "The Committee."

The most difficult phase of compositions and extensions out of court is to keep them out of court, said Mr. Wells. Too many unscrupulous lawyers would wreck a business for a larger fee.

Suspicion and mistrust of one another makes extensions out of court difficult, but they are vastly more productive to creditors, said Mr. Wells. He said the average cost of friendly adjustments through his office has been 7½ per cent as compared to the huge administrative and legal fees involved in a court bankruptcy. In handling extensions, however, it is important that the creditors have a trusted rallying point for their meetings and that they put the affairs into hands that are above question.

Liquidity

Everett W. Nourse, United States Manager of The London Assurance and the Union Fire, Accident & General Insurance Company and President of the Manhattan Fire & Marine Insurance Company released recently the companies' annual statements, as of December 31, 1933. The total assets of the London were $7,318,411.45; the Manhattan $2,602,969.71 and the Union $1,383,845.07. The outstanding difference between this year's statements and last lies in a greater liquidity of the assets in all three of the companies.

Fool question

The train came to a sudden grinding stop, causing the passengers to jump. "What has happened, conductor?" cried a nervous old lady.

"We ran over a cow."

"Why, was it on the track?"

"No," replied the disgusted conductor, "we chased it into a barn."

—Annapolis Log.

The challenge of NRA

(*Cont. from p.* 35) who all during this time did a successful job of imitating Rip Van Winkle finally wakened. He began yelling in loud tones. The shoe was pinching and he let the world know about it. He had a small measure of accompaniment from labor and from academic groups.

This chorus, by no means harmonious, swelled up until it instigated the code conferences which began on the 5th of March. Inventory time for the NRA had arrived.

In opening the parley, President Roosevelt expressed great pride in the accomplishments of the NRA, re-affirmed his faith in its principles, and restated the philosophy which should guide it. His faith in the potency of NRA was implied when he called upon industry to provide immediate re-employment of masses of additional workers by cutting hours and granting corresponding pay increases.

Although he asked industry for wage increases, he recognized the fact that such increases must eventually raise costs and consequently be reflected in higher prices to the consumer.

"No one is opposed to sensible and reasonable profits," the President emphasized, but implied that profits should not go beyond this point and that the NRA was the means of "striking the equitable balance between conflicting interests and thus should strive to assure lowest schedule of prices on which higher wages and increasing employment can be maintained."

Industry answers "yes,—a fine theory, but how about its practicality?" What to use for money is the problem. Without raising prices, can wages be raised without endangering the industrial structure? Many conservative industrialists doubt it. Many fine economists wonder how it is possible. For the moment,—the problem is industry's. It is NRA's challenge. The answer must be made and will be made—soon.

Credit in the codes

(*Continued from page* 19)

Robe and Allied Products Industry: Maximum terms of sale and discounts specified. No gratuities, rebates, unearned discounts; no consignment sales, false invoicing, etc.

Sample Card Industry: Members to file with code authority schedule of prices and terms. Usual unfair trade practices.

Sanitary Napkin and Cleansing Tissue Industry: Usual unfair trade practices. No price discrimination between customers of same class. Standard trade customers terms and sales to be formulated by code authority.

Saw and Steel Products Mfg. Industry: Members to file price list and discount schedule with code authority. Usual unfair trade practices prohibited. Trade-in allowances and return goods regulated; maximum terms of payment specified.

Schiffli, the Hand Machine Embroidery, and the Embroidery Thread and Scallop Cutting Industries: Usual unfair trade practices. No consignment sales. Maximum discounts especially on certain lines, with no discounts on others.

Secondary Aluminum Industry: Each member to file price and discount schedule with code authority. Usual unfair trade practices prohibited. Specific regulations as to invoicing.

Shoe Shank Mfg. Industry: (This is a supplementary division of the Fabricated Metal Products.) Usual unfair trade practices. Specified terms and the amount of cash discount.

Shoulder Pad Mfg. Industry: Usual unfair trade practices. No sales below cost. Code authority to develop other regulations.

Slate Industry: Usual unfair trade practices. No consignment sales.

Slide Fastener Industry: Price list to be published and filed with code authority and adhered to. No sales below cost.

Slit Fabric Mfg. Industry: Usual unfair trade practices, including no consignment sales. Code authority to determine further necessary trade practices.

Smoking Pipe Mfg. Industry: Usual unfair trade practices. No consignment sales, secret rebates, premiums, prices, etc. Standard cost and accounting system to determine minimum sales price.

Steam Heating Equipment Industry: Regulation of quotations and sales price and discount schedule to be filed with code authority. Code authority to develop a cost finding plan. No consignment except on conditions approved by code authority. Usual unfair practices.

Table Oil Cloth Industry: No reference to credit provisions.

Tag Industry: Each member to file price and discount scheduled with code authority. Usual unfair trade practices. Regulation of consignment sales.

Throwing Industry (Amendment): No sales below cost as determined by standard and uniform method of costing. Usual unfair trade practices prohibited.

Trucking Industry: File with appropriate state, regional or code authority minimum schedule of rates and tariffs. Definite regulations as to transporting property requiring proper freight bills, shipping orders, etc. No rebates, allowances, refunds, commissions, credits, etc.

Unit Heater and/or Unit Ventilator Mfg. Industry: Members to file prices and discounts with code authority and adhere thereto. Different classes of purchases defined. Provisions for quantity discounts. Regulation of quotations. No blanket orders. No consignment without permission of code authority. Maximum discount period.

Used Textile Bag Industry: Usual unfair trade practices.

Venetian Blind Industry: Usual unfair trade practices prohibited. Price list, terms and conditions of sale to be determined by code authority with subsequent revisions.

Merchandising Warehousing Trade: Regulation of warehouse trade practices, such as storage period, transfers, handling, car loading, delivery requirements; minimum charges established for all services; standard contract of terms and conditions to cover same. Usual unfair trade practices forbidden, together with special practices peculiar to industry.

Waterproof Paper Industry: Code authority to determine open price plan of selling and members required to comply with filing of price and term schedule. Usual unfair trade practices.

Wet Mop Mfg. Industry: Usual unfair trade practices.

Wholesaling or Distributing Trade: This Code broken down into 24 commodity divisions. Usual unfair trade practices prohibited. Differentials carefully defined. Protection to retailers given by making unfair practice the selling at wholesale prices to ultimate consumer, except to employees of the business.

Wholesale Food & Grocery Trade: No price discrimination between customers of the same class. No unearned service payments, unearned discounts for cash; no compulsory purchases or commercial bribery. Loss limitation provision to prevent unfair price competition carefully outlined.

Wiping Cloth Industry: Specified discount period and amount of discount. Usual unfair trade practices. No shipment on consignment except to jobbers, which is definitely limited with interest charge after the limitations period.

Wood Cased Lead Pencil Mfg. Industry: Usual unfair trade practices amplified to regulate trade-in exchanges, return goods, discrimination in prices between customers of same class, regulation of contracts. Definite specification as to return of merchandise by customers either for exchange or credit. Marketing terms specified in great detail in one complete article of code, giving maximum terms of sale, discounts, maximum discounts, classification of customers, no spring dating on fall shipments, regulation of fall datings on spring shipments. Code authority may establish scale of accumulated discounts on quantity purchasing. Industry members required to obtain agreement from their customers preventing less than cost selling to consumer. Detailed regulation as to matters such as dealers' imprints, trade marked and branded products.

Witch Hazel Industry: No reference to credit provisions.

Wire, Rod, & Tube Die Industry: Usual unfair trade practices. Open price plan to be determined by code authority.

Wood Heel Industry: Uniform accounting system. Open price plan of selling. Maximum cash discount and discount period. Unfair practice to accept notes or trade acceptances without legal interest rate. Usual unfair trade practices. No consignments without permission of code authority.

* * * * *

Ball Clay Production Industry—Railway Brass Car & Locomotive Journal Bearings & Castings Mfg. Industry—Surgical Dressings Industry—Textile Processing Industry—Wool Trade: No references to credit provisions in the above industry codes.

(*Continued on page* 44)

What's wrong with credit men?

(*Cont. from page* 7) cases were there any golden years.

Think back over your own experience in those years. True, some through misconception of their condition, overestimated their earnings and lived accordingly, but by and large the hard work and effort expended in the last three years was merely a continuance of what effort and hard work had been expended in the preceding 20 years. As you look back to those bountiful years you don't recollect that your job was an easy one—at least not as it seems now that it should have been compared to what you have had to put up with since.

It would take considerable research to ascertain the amount of capital engaged in the shoe business today as compared to what it was 20 years ago, but the average, compared to most industries, is pretty good—indicating that there have been only normal declines and that by comparison the industry has been in its fundamentals and practices comparatively sound, and during years when outside affecting conditions fluctuated greatly.

I was very pleased to see that one of the leading weekly magazines recently contained a full page advertisement from one of the large New York finance institutions stating rather boldly that loans were available for operating purposes. I don't think we shall see, at least for a long time, the availability of loans for capital purposes, but with the gradually improved conditions, there is a change on the part of Bankers toward loaning money to a worthy borrower for operating purposes. Manufacturers had to assume the position of banker as well as manufacturer for a good many of their merchants and as we analyze balance sheets and take advantage of the opportunity we have of pointing out opportunities for improving the circumstances of our customers, we can fairly expect them to present their figures where right and apply to their bank for restoration of a part at least of their old time borrowing capacity. With the competitive conditions that will continue to exist it behooves every merchant to strengthen his position by being able to discount his bills by having access to outside borrowings that he at different times in the year needs.

If a man operating a shoe store is successful his business grows and his own capital soon becomes invested in goods with which to meet the requirements of his customers. A well organized and successfully operated shoe business, because of the always existing fluctuations in the amount of monthly receipts, due to the varying seasons of the year, always necessitates the availability to retailers of a line of bank credit to permit economical and profitable operating and providing ability to meet trade obligations on a discount basis.

There was only (*Continued on page* 42)

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Insurance question box

Q. Under what conditions will a fire insurance policy become void? In other words, what must an insured do or not do in order to keep his policy valid?

A. While there is some variation in the policy contract in different states, generally speaking, the policy will be void if the insured conceals or misrepresents any material fact or circumstance concerning the insurance or subject thereof, and this is also true in case of fraud occurring at any time, whether before or after a loss.

The following conditions will void the contract if permission has not been secured in writing and attached to the policy: (a) if the interest of the insured be other than unconditional and sole ownership; or (b) if the subject of insurance be a building on ground not owned by the insured in fee simple; or (c) if, with the knowledge of the insured, foreclosure proceedings be commenced or notice given of sale of any property insured hereunder by reason of any mortgage or trust deed; or (d) if any change, other than by the death of the insured, take place in the interest, title or possession of the subject of insurance (except change of occupants without increase of hazard); or (e) if this policy be assigned before a loss." (Quoted from New York Standard policy.) These five conditions relating to ownership are of vital importance and it is essential that the interest of the insured be correctly stated.

The policy will also be void if there has been a breach of any of the attached or endorsed warranties, such as those requiring the maintenance of an automatic sprinkler equipment or watchman service.

Unless otherwise provided by agreement in writing attached to the policy, the following conditions, briefly summarized, will void the policy only while they exist, but will not void the entire policy for its entire term: (a) additional insurance; (b) an increase of controllable hazard; (c) alterations and repairs taking more than fifteen days; (d) the generation of illuminating gas or the use or storage of extra hazardous articles; (e) the operation of the business overtime; (f) vacancy or unoccupancy beyond the period named in the policy. It should be noted that the customary form attached to the policy grants permission for or modifies many of these conditions.

What's wrong with credit men?

(*Continued from p.* 41) a brief period during which the average shoe business had idle capital, and that, unwisely and often through the advice of bankers or misconceived ideas of progress, was put in outside investments—real estate, stocks and bonds, which they were later unable to liquidate, so that the average merchant has had to discard all of his assets and look to his stock of goods and his accounts receivable to provide means for meeting his obligations. The lessons we have all learned in this respect will tend in the future to confine the shoe capital to the shoe business.

A year ago merchants were faced with depreciating inventories, declining volume, rising costs and falling prices. Today they have stabilized inventories and prices, a consumer market rather than a capital market, which is affected less by conditions than most industries, and a maintained confidence on the part of the public. Bankers are in a better position to consider the granting of needed loans for operating purposes, so that the dealer who has his house in order, his budget balanced, and has proven his right to a place in his community, can present his balance sheet to his banker with a request for a loan consistent with his worth and his opportunity—and should have a better reception and more consideration than has been afforded him in recent years.

Some manufacturers through selfishness, lack of consideration and panickyness on their part haven't shared in this burden during those last few years, but I believe there is a warm regard in the heart of many retailers for the manner in which his manufacturers have stood by him in this trying period. The manufacturer in turn is entitled to have his burden shared by those with whom it rightfully belongs. The retailer, by choice, wants to have that burden distributed as it should be in the interests of his own business, as the proper allocation of that burden means more economical operating for the merchant and a better opportunity for the profit he is entitled to.

Looking ahead to the future there can be very little speculation and every business must organize itself so that advantage is taken of each item to insure a brokerage being left in the till at the end of the year.

The mortality rate among retailers has been enormous. It is perhaps right that it should be so, but upon the credit man now largely rests the responsibility of preserving for his firm the outlets which still remain. To get the cooperation of all departments within his own business, so that those opportunities can be taken advantage of, is the first obligation of the credit man. He owes it first to his firm and second to the dealers who have shown their ability to hold on and come through this period and who thus are entitled to preserve at least a part of their equities. We must uphold the time proven fight that the majority of people in business at least want to do the right thing, and ours is the task of coordinating his efforts with our own, leading, guiding and helping him withstand the outside influences that so vitally effect the success or failure of a merchant.

After all there is no one in your individual organizations, excepting yourself, that occupies the strategic position you have to bring about a satisfactory result. You must be equipped to do many times what is considered the impossible, and to have the confidence in yourself that what you do is in keeping with good business practice, fair and honorable. Your ability to do these things is very largely going to help your firm to evaluate the changes in the present day business under new social and governmental influences and adapt your business and credit policies to these conditions and help to provide a successful result.

Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Raised check

Q. A check, issued for $100.00 is intercepted and raised to $200.00. Payment is refused the holder in due course, who is innocent of the alteration. Has he any recourse against the party who issued the check?

A. A holder in due course, innocent of any alteration always has recourse against the drawer of a check for payment, provided there was no fraud in the inception of the instrument, and it was not forged. Here, however, his recourse is secondary, because he must first exhaust his remedy against the bank which is liable to pay the check according to its original tenor. All the holder in due course can recover, however, from either bank or drawer is one hundred dollars, or the original face value of the instrument.

This department proposes to submit some of the credit questions asked to prominent credit men throughout the country. In this way, we hope to stimulate an interest in asking questions to be answered by men coming into daily practical contact with credit problems. The following question was submitted to and answered by Mr. W. W. Clarke of the Ad-here Paper Company of Los Angeles, Cal.

Bankruptcy blame

Q. Can the blame for a considerable portion of the yearly loss sustained through the Bankruptcy Court be laid at the door of the credit department?

A. The following sentence appeared in a letter issued by our Association some time ago "One of the underlying causes of the business depression has been our failure to prevent credit losses, to prevent undue credit expansion, and to eliminate unsound credit practices." During the hectic days of the late twenties the credit man succumbed (sometimes it is true much against his will) to the pressure of the sales department for sales and more sales regardless of the outcome. Thus, arose two very definite unsound credit practices.

If the applicant for credit is incompetent, that is, if he lacks capacity or adaptation (and this lack can usually be determined through the proper investigation) he should not be allowed to have merchandise even though he pays cash. The mortality of small dealers, the surveys which show that a large majority of retail stores do less than $5,000. a year in gross business, are glaring evidences that thousands of men and women should never have been allowed to start. They would not have started if some manufacturer, his eyes blind to everything but volume, had not extended credit.

Secondly, the credit man at times pays little heed to one of the fundamentals of economics—no more merchandise can be sold in a given community than can be absorbed by the buying power of that community. Six stores in one line can possibly attain a greater volume of sales than one store, but certainly we will all agree that the sales will not increase six fold. Therefore, the manufacturer will not increase his volume to any great extent by allowing another store to begin operations in a community where the needs of that community are very capably filled by the retail merchants already in existence. When this situation arises, the buying power of the community is divided among several units. Each unit, therefore, does less business and the weaker ones naturally fail.

In failing they resort to all sorts of sales tactics to the unfair advantage of those merchants who have the right to exist. Distressed merchandise is thrown on the market usually far below cost, and, while the individual consumer may profit by the lower price, this advantage is merely temporary.

In the fight against the appalling yearly losses through bankruptcy, it is up to the credit man to stand firm in defense of his profession and in spite of outside influence to grant credit wisely only to those who deserve cooperation.

Credit in the Codes

(*Continued from page* 41)

Following are Amendments to previous codes:

Men's Garter, Suspender & Belt Mfg. Industry: Classification of customers. Maximum terms of sale and discounts to each class. Definite regulations as to special items, holiday, shipments, returned goods. No consignment sales.

Canning and Packing Machinery: Definite provisions for trade-in allowances on machinery.

Cotton Textile Industry: Seven sub-divisions added as follows:

1. Clothiers' Linings (other than all-cotton)
2. Corset, Brassiere, and Allied Trades Fabrics
3. All-Cotton Clothing Lining
4. Curtain and Drapery Fabrics
5. Shirtings
6. Wash Goods
7. Interlinings

Each of these has maximum specified terms of sale and discounts. No consignment provisions for uniform contracts, etc.

Retail Lumber, Lumber Products, Building Materials & Building Specialties: Members to file prices with code authority or its agent; such prices not to be less than price in Section 8 Article 8 of original code; dealer thereafter to comply with his published list.

Wool Textile Industry: Unfair practice to sell at terms different from those prescribed by the proper divisions or sub-divisions. No secret rebates, commissions, etc. No consignment sales.

Wall Paper Mfg. Industry: Article 8 of the original code eliminated, and specific terms and discounts substituted, making cash discount (except as specified) unfair practice. Regulation of sample allowances.

Fabricated Metal Products Mfg. & Metal Finishing & Metal Coating Industry: The following Divisions added to this industry:

1. *Chain Mfg. Industry*
2. *Electric Industrial Truck Mfg. Industry*
3. *Hand Chain Hoist Mfg. Industry*
4. *Metallic Wall Structure Industry*

Published list of price terms and discounts required and to be complied with. Usual unfair trade practices prohibited:

* * * * *

AGRICULTURAL ADJUSTMENT ADMINISTRATION:

1. *Brewing Industry* (previously reported)
2. *Distilled Spirits Rectifying Industry:* No commercial bribery. No consignment. No allowances or rebates for advertising (with qualifications). No retail licenses. Loans or guarantees to customers, furnishing of equipment, fixtures or signs, etc. to constitute unfair practice. Each member to keep price list on file with code authority and comply with said list. No rebates, refunds, concessions, etc.
3. *Alcoholic Beverage Wholesale Industry:* Unfair methods of competition as above.
4. *Distilled Spirits Industry:* Same as above.
5. *Wine Industry:* Same as above.
6. *Alcoholic Beverages Importing Industry:* Price list on file with code authority. Conformance to same. Usual unfair trade practices of rebates, refunds, etc.
7. *Commercial & Breeder Hatchery Industry:* Usual unfair trade practices prohibited.
8. *Imported Date Packing Industry:* Usual unfair trade practices.
9. *Southern Rice Milling Industry:* Usual unfair trade practices prohibited, i.e., rebates, refunds, discounts, commercial bribery.

Court decisions

CONDITIONAL SALE. OHIO CONTRACTS. DEFAULT IN PAYMENT OF PURCHASE PRICE. RIGHTS OF CONDITIONAL VENDOR. (N. Y.)

Appeal from judgment for plaintiff. This case was tried and decided on stipulated facts. Plaintiff, an Ohio corporation, sold and delivered to defendant's intestate two excavating shovels. Plaintiff and defendant's intestate entered into two conditional sale contracts by the terms of which title to the shovels remained in plaintiff until fully paid for. It is stipulated that $7,470.05 of the purchase price remains unpaid, on which interest from June 10, 1932, has accrued. The contracts were made in Ohio, the machinery was delivered F.O.B. at Marion, Ohio, payments thereon were, by the contract, to be made in Ohio and were made in Ohio. The Statute law of the State of Ohio governing the vendor's rights under a conditional sale contract is also stipulated. Section 8570 of the officially certified Code of Ohio (Throckmorton's Annotated Code, Baldwin's Revision, 1930) provides in substance, that a conditional sale vendor of property:—"Shall not take possession of (such) property, without tendering or refunding to the purchaser the money paid after deducting therefrom a reasonable compensation for the use of such property which in no case shall exceed fifty percent of the amount so paid, unless such property has been broken, or actually damaged, when a reasonable compensation for such breakage or damage shall be allowed. But the vendor shall not be required to tender or refund any part of the amount so paid unless it exceeds twenty-five percent of the contract price of the property." It appears that more than twenty-five percent of the purchase price of each machine had been paid before plaintiff retook them, and it seems to be conceded that no tender or refund was made. The question now is whether or not plaintiff had a right to take back the property, sell the same, apply the proceeds of the sale to the purchase price, as it did, and then recover the deficiency from defendant.

Held that these being, in every respect, Ohio contracts, the interpretation of them is governed by the laws of Ohio, where the contracts were made. At common law, the retaking of property by the vendor is inconsistent with recovery of the purchase price, for the right to retake is based on a rescission of the contract, while the right to recover the purchase price is based on an affirmation of the contract. Under the common law of Ohio a conditional sale vendor could retake the property sold and retain all that the purchaser had paid. But, under the Statute of Ohio it has been uniformly held by the Ohio courts that the tender or refund provided for in Section 8570, must be made by the vendor before he could retake the goods. In all Ohio cases called to the court's attention the right of the purchaser to the benefit of the tender or refund from the vendor, as provided by Sec. 8570, has been rigidly enforced. One other point remains to be considered. Respondent, having retaken the property without complying with the statutes of Ohio, contends that the Ohio conditional sales law does not cover this case. But if the case is not governed by the Ohio conditional sales law, the plaintiff is in no better state, for the case is then governed by the common law, under which plaintiff cannot at the same time rescind the sale and reclaim the property and also affirm the sale and recover the purchase price, as has been heretofore pointed out. Judgment reversed, on the law, and complaint dismissed. *Osgood Company v. Wilkinson, as Admnrx.* N. Y. App. Div., 4th Dept. Decided January 8, 1934.

SALE OF JEWELRY. REPUDIATION FOR BAD BUSINESS CONDITIONS. FRAUD OF SALESMAN. WAIVER. (W. VA.)

Writ of error to a judgment for $250.00 in favor of the plaintiff. Plaintiff sells jewelry at wholesale through traveling salesmen. Defendants conduct a retail store, and ordered jewelry which was delivered to defendants who declined to accept the articles and returned them to plaintiff. Defendants wrote plaintiff: "We do not feel that we can sell enough of this merchandise to be able to pay you." Emphasis was laid on the bad business conditions then existing. No mention was made of any other matter. Plaintiff stated its refusal to cancel the contract or to accept return of the merchandise. The goods had been left with the express company. Defendant wrote a letter to plaintiff setting out in detail the conduct of a salesman Duvall in obtaining the order for the merchandise. This conduct may have amounted to fraud. But defendants did not undertake to repudiate the contract on that ground but proceeded to state that, "unless conditions improve we could not possibly pay for the merchandise. If you still feel that we should accept the merchandise and want to take chances on getting your money you may advise the express company to return the shipment. We do not know when we will be able to pay you." Plaintiff definitely refused to cancel the contract and suggested that defendants get in touch with the express company and have the goods returned to them, which defendants did not do. The jewelry is still in the custody of the express company.

Held that the facts are against the defendants. In the correspondence their effort was to avoid the contract because business conditions were bad. In the first letter no mention was made of fraudulent conduct on the part of plaintiff's salesman in securing the order for the jewelry, and in the second letter it is not relied on as a reason for cancellation of the contract. Bad business conditions do not afford legal justification for the cancellation of contracts. "When refusal to accept goods purchased is based solely upon a particular objection, formally and deliberately stated, all other objections are deemed waived." Affirmed. *E. L. Rice & Co. v. Roberts et al.* W. Va. Supreme Ct. of Appeals. Decided January 23, 1934.

SALE OF LUMBER F.O.B. REFUSAL TO ACCEPT. NOTICE OF BAILMENT. DAMAGES. (TENN.)

The Sales Act provides: "Where, under a contract to sell or a sale, the property in the goods has passed to the buyer, and the buyer wrongfully neglects or refuses to pay for the goods the seller may maintain an action for the price of the goods."

Held that the property in the goods, here in controversy, had not passed to the buyer. This matter is settled by Rule 5 of section 17 of the Sales Act, "If the contract to sell requires the seller to deliver the goods to the buyer, or at a particular place, or to pay the freight the property does not pass until the goods have been delivered to the buyer or reached the place agreed upon." The sale of all this lumber was f.o.b. at the plant of the complainant and there had been no delivery of the lumber involved to the buyer, nor had the lumber sued for ever left the seller's mill. Suit is maintainable under subsection 3 of section 63 of the Sales Act: "Although the property in the goods has not passed, if they cannot be readily resold for a reasonable price, the seller may offer to deliver the goods to the buyer, and, if the buyer refuses to receive them, may notify the buyer that the goods are thereafter held by the seller as bailee for the buyer. Thereafter the seller may treat the goods as the buyer's, and may maintain an action for the price." The lumber could not be readily resold. Complainant's letter of July 20, 1932, was a clear notice to defendant to remove the goods and the goods were thereafter held as a bailment for defendant. Complainant said in that letter "If it is not convenient for you to remove it at this time, we repeat our offer to store it for you a reasonable length of time free of charge, but at your risk of loss. But we must again impress upon you that this lumber is yours, that it was manufactured for you and that it must now be paid for." This seems to be entirely sufficient to meet the statutory requirement as to notice that the goods are held as a bailment. There was no subsequent modification of the notice. Complainant obtained a decree for the price of the goods with interest and with storage charges. The decree goes too far. The lumber was sold f.o.b. defendant's plant. The freight charges incident to the removal of the lumber to defendant's plant formed part of the price for which the goods was sold. It was incumbent upon the complainant to pay the freight. An amount equivalent to the freight charges should therefore be deducted from the recovery allowed to the complainant. The lower courts allowed storage charges "for a period commencing one year prior to the date of the institution of this suit." The monthly charge fixed was reasonable but it was commenced too early. There was no definite notice to the defendant that the lumber would be held as a bailment prior to the letter of July 20, 1932. The storage charge should not attach prior to that date and that the amount allowed for storage charges should be reduced accordingly. If the complainant will enter a remittitur reducing its decree certiorari will be denied. *Murray Wood Products Company v. Woods Lumber Company.* Tenn. Supreme Ct. Decided January 13, 1934.

CONTRACT TO SELL BY AGENT. REFUSAL TO ACCEPT BY PRINCIPAL. APPARENT AUTHORITY OF AGENT. LIABILITY OF PRINCIPAL. (WISC.)

Action to recover $2000 paid to the defendant Wagner by plaintiff, as a part payment on a motor truck ordered from the defendant, Auto Co. under a proposed contract which the latter refused to accept. The Auto Co. filed an answer denying liability to plaintiff, and also filed a cross-complaint against Wagner to recover any judgment recovered against it by plaintiff. Wagner filed a cross-complaint, alleging that he was employed by the Auto Co. to solicit prospects for the purchase of the motor trucks on a

specified commission basis; that he sold a truck to the plaintiff for $7950.50 and received from plaintiff a down payment of $2000; that there is due him from the Auto Co. as commission on that sale $2386.65, on which he has been paid $2000, leaving a balance of $386.65 for which he prayed judgment against the Auto Co. The lower court entered judgment of $2000 for plaintiff, and of $385.15 for Wagner against the Auto Co. The latter appealed. Olen, president of the Auto Co. told Wagner that he was dissatisfied with Dahm & Fisher who hauled freight by truck for the Auto Co. and he asked Wagner to look around for a reliable party to take over that hauling. Wagner interested the plaintiff and his son in Olen's proposition. They went to see Olen who said that anyone responsible, who could buy a truck made by defendant could have the hauling of their freight. Olen also said, "Wagner knows all about it. He can take care of you." Plaintiff accepted the proposition by signing an order and giving a certificate of deposit for $2000. Wagner showed the order and certificate to Olen who said that he would not accept the order unless plaintiff would arrange to buy Dahm & Fisher's trucking business for $1800. Plaintiff consented to do that; then Olen said that $3500 would be required to acquire that trucking business. That amount plaintiff refused to pay, and demanded that the Auto Co. and Wagner return the $2000, which plaintiff had paid. Wagner had cashed the certificate of deposit and held the money.

Held that plaintiff was justified in believing, in view of appearance for which the Auto Co. was responsible, that Wagner possessed authority, as agent of the Auto Co., to receive on its behalf from plaintiff the down payment. The Auto Co.'s failure, upon Wagner's submittal to Olen of the signed order, which on its face indicated the down payment, to notify plaintiff with reasonable promptness that Wagner had acted without authority, and that it had not accepted the down payment, admits of the inference that there was such acquiescence on its part as constituted affirmance of Wagner's receipt of that payment on behalf of the Auto Co., even though the receipt thereof by him, on behalf of the Auto Co., was not authorized by it prior thereto. If Wagner had authority, as found by the jury, to receive that down payment, then the Auto Co., as a principal, and not Wagner, is liable to the plaintiff for the return of that payment upon the refusal of the Auto Co. to consummate the sale. The issue as to the rate of Wagner's commission was not fully tried, and the record is incomplete. It is necessary to reverse that portion of the judgment which provides for the recovery of $385.15. Judgment affirmed as to recovery by plaintiff of $2240.00 from the Auto Co. *Walter v. Four Wheel Drive Auto Company et al.* Wisc. Supreme Ct. Decided January 9, 1934.

BANKRUPTCY. PREFERENTIAL TRANSFER. FACTOR'S LIEN. SECTION 45, NEW YORK PERSONAL PROPERTY LAW. EVIDENCE. (N. Y.)

Prior to adjudication upon an involuntary petition in bankruptcy filed April 20, 1931, Nathan & Cohen Co., Inc., was a silk and cotton converter doing business at 60 Leonard Street, New York City. Its business consisted in purchasing greize goods from various mills, sending them to dyers and finishers for processiong, which is known as "converting," and selling the finished goods. The business was financed by Commercial Factors Corporation under a factoring agreement dated August 16, 1926. In the latter part of March, 1931, when the bankrupt was concededly insolvent and when, as the trustee in bankruptcy contends, the factor knew or had reasonable cause to know of its insolvency, certain merchandise of the bankrupt was transferred to the factor as security for or payment of an indebtedness for prior advances. Such merchandise, or accounts receivable resulting from its sale, the trustee seeks to recover. Its bill of complaint contains two counts, one based on section 60b of the Bankruptcy Act (11 USCA sec. 96), the other on section 15 of the New York Stock Corporation Law. Only the former is relied upon on this appeal. After trial the district court dismissed the bill, stating in its opinion that the factor had a valid lien upon much of the merchandise in question and that knowledge of the bankrupt's insolvency was not chargeable to the factor until after March 18th, the critical date now asserted by the plaintiff.

Held that as to the main part of the goods there was no preference because the factor proved a valid lien under section 45 of the New York Personal Property Law. It is conceded that a sufficient sign was displayed at 60 Leonard Street and that a proper notice was filed in New York county. The dispute is whether the parties intended to create a lien by their factoring agreement. The agreement leaves no doubt about that; by the second paragraph the bankrupt agreed "to consign" to the factor at 60 Leonard Street all goods dealt in by the bankrupt, and the eleventh paragraph provided that the factor should have a general lien upon all goods consigned to it by, or on behalf of, the bankrupt. The factoring agreement provided elaborate machinery to secure to the factor control of merchandise from the moment of its receipt at the bankrupt's place of business. The court holds that upon all goods located at 60 Leonard Street before March 18, 1931, the factor had a valid lien under the statute. In addition to goods delivered at 60 Leonard Street, there are three other classes of goods to be considered: (1) goods shipped directly from the mills to the dyers before March 18, 1931, and delivered in its converted condition on or after that date at 60 Leonard Street; (2) goods returned by Schreiber who held them on consignment for sale; and (3) goods purchased and delivered on or after March 18th. As to goods sent directly from the mill to the dyer, the factor could have no lien under section 45, since the statutory conditions were not complied with in respect to them. It is clear, however, from the factoring agreement that the parties intended the lien to cover such goods. The factor had a valid lien upon goods delivered from the mill to the dyers and by them held as bailees of the factor. Therefore receipt of the goods by the factor after March 18 did not deplete the bankrupt's estate and could not be a preference, even if the factor was chargeable with knowledge of the insolvency. The goods returned by Schreiber are governed by similar principles. Indeed, the factor's position is even stronger as to them for they had been in stock at 60 Leonard Street before shipment to Schreiber and so were subject to the factor's lien before being consigned to Schreiber for sale. The bills of lading named only the factor as shipper. It is clear that Schreiber was intended to receive and hold the goods as bailee of the factor, not of the bankrupt. No creditors whom the plaintiff represents have been deceived by Schreiber's apparent possession. There was no preference in receiving these goods from the factor's bailee. The remaining goods are those purchased by the bankrupt on or after March 18th and so delivered after the date when, according to the plaintiff's contention, the factor had knowledge of the bankrupt's insolvency. There are four invoices, aggregating $5,116.80, and bearing dates March 19, 20, and 21. The factor argues that the dates given on the invoices are insufficient proof of the dates of delivery of the merchandise. But in the absence of contradictory evidence, the court believes that the invoices (admitted without objection) were sufficient proof of the delivery dates. Although the insolvent condition was not actually disclosed to the factor's officers before March 23rd, they were put upon inquiry at least as early as the morning of the 18th. A prudent factor would immediately have sought information as to unpaid bills. Such an inquiry would, as it ultimately did, have disclosed the insolvency. The bankruptcy act does not permit a creditor who has been put upon inquiry to accept security for prior advances up to the very moment when he gets actual knowledge of what the inquiry will disclose. Accordingly the goods delivered after March 18th were received when the factor had reasonable ground to believe that a preference would result. No lien, legal or equitable, could be created until the goods were acquired by the bankrupt. At that time the bankrupt was insolvent and the factor was charged with knowledge of it. To take possession within the four months period under such circumstances is a preferential transfer. Decree reversed. A decree should be entered for plaintiff for the value of the goods covered by the invoices dated subsequent to March 18th, with interest. *Irving Trust Company, as Trustee (Nathan & Cohen Co., Inc.,) v. Commercial Factors Corporation,* U. S. C. C. A., 2nd Cir. (N. Y.) Decided January 15, 1934.

NEGLIGENCE. DOOR HANDLE OF MOTOR TRUCK GIVING WAY. LIABILITY OF MANUFACTURER. (N. Y.)

Appeal by defendant from an order denying said defendant's motion for judgment dismissing the complaint. Defendant, Brockway Motor Truck Corporation, is a manufacturer of trucks. It sold one to Jacob Cohen, the employer of plaintiff Shirley Cohen. While Shirley Cohen was on the truck, one of the door handles "gave way and broke, causing one of the doors to suddenly open." As a result "plaintiff Shirley Cohen was thrown through the said door opening and fell under said truck." Defendant attacks the sufficiency of the complaint. Plaintiffs, in the main, contend that this case is governed by the principle laid down by the Court of Appeals in MacPherson vs. Buick Motor Co., 217 N. Y. 382. In that case a rear wheel, which was not of sufficient strength to properly run and sustain the machine, collapsed, causing injury. In Quackenbush vs. Ford, 167 App. Div. 433, a manufacturer was held liable for simple negligence in selling a car, which was not equipped with proper brakes with the result that it could not be controlled and ran over an embankment.

Held that in each of these cases the defective part of the automobile rendered it, while in motion, a "thing of danger," and an accident, which was almost inevitable, resulted. Certain defective parts make an automobile either inherently or immediately dangerous; others do not. The doctrine outlined in MacPherson vs. Buick Motor Co., should not be extended. It was not intended to make a manufacturer of automobiles liable in negligence for every conceivable defect. The court is inclined to the view that it must be in a part which would make an automobile "a thing of danger." It cannot be said that this defendant, who was the manufacturer could have been charged with "knowledge of a danger" because of a defective "door handle." Such a defect may make danger possible, but not probable. Order reversed and motion granted. *Cohen et al. v. Brockway Motor Truck Corporation.* N. Y. App. Div., 1st Dept. Decided January 19, 1934.